

CITY OF WARREN, PENNSYLVANIA

AUDIT REPORT

DECEMBER 31, 2020

CITY OF WARREN, PENNSYLVANIA
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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditor's Report

To the City Council
City of Warren, Pennsylvania

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania which collectively comprise the City of Warren, Pennsylvania's basic financial statements as listed in the table of contents as of and for the year ended December 31, 2020 and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the City of Warren, Pennsylvania as of December 31, 2020, and the results of their operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Warren, Pennsylvania and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these accompanying financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the City of Warren, Pennsylvania's ability to continue as a going concern for a reasonable period of time as defined by accounting principles generally accepted in the United States of America.

Independent Auditor's Report
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the statements as a whole are free from material misstatement, whether due to error or fraud, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, or intentional misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about the City of Warren, Pennsylvania's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters identified during the audit.

Independent Auditor's Report **(Continued)**

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warren, Pennsylvania's basic financial statements. The other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2021 on our consideration of the City of Warren, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warren, Pennsylvania's internal control over financial reporting and compliance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

July 7, 2021
Erie, Pennsylvania

CITY OF WARREN, PENNSYLVANIA
Management's Discussion and Analysis
For the Year Ended December 31, 2020

As management of the City of Warren, we offer readers of the City of Warren's financial statements this narrative overview and analysis of the financial activities of the City of Warren for the fiscal year ended December 31, 2020. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$54,773,462 (net position). Of this amount, \$11,314,130 (unrestricted) may be used to meet the government's ongoing obligations to citizens and creditors.

Fund Financial Statements

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,364,873. Approximately 74% of this total amount, \$3,952,748 is available for spending at the government's discretion (assigned and unassigned fund balances).
- The City's General Fund reported a positive fund balance of \$3,990,235 as of December 31, 2020 compared to a positive fund balance of \$3,415,778 as of December 31, 2019.

Overview of the Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position provides information on all the of the City's assets, liabilities and deferred inflows and outflows of resources with the difference between the four reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Warren is improving or deteriorating. Other factors to consider are changes in the City's property tax base, changes in the resident base, and the condition of the City's roads and bridges.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods, such as uncollected taxes, earned but unused vacation leave, accrued payroll, accrued interest on long-term debt, and intergovernmental receivables.

The government-wide financial statements distinguish functions of the City of Warren that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, building code enforcement, and culture and recreation. The business-type activities of the City include the operation of the sewage treatment plant and the operation of the parking lots and garage.

The City's government-wide financial statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure), as well as all liabilities (including long-term debt). Additionally, certain eliminations have been made in regard to internal activity, payables and receivables.

In the statement of net position and the statement of activities, we separate the City activities as follows:

Governmental Activities – Most of the City's basic services are reported in this category, including general government, fire, police, public works, building code enforcement, parks, recreation, and community services. Property and earned income taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type Activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's sewage treatment and parking activities are reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Unlike government-wide financial statements, the focus of fund financial statements is directed toward specific activities of the City. Except for the general fund, specific funds are established to satisfy managerial control over resources or to satisfy finance-related legal requirements. The City's fund financial statements are divided into three categories: 1) governmental funds, 2) proprietary funds, and 3) fiduciary funds.

Governmental Funds

Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The differences of results in the governmental fund financial statements from those in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Warren adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. The City also adopts a budget for the capital improvement program fund, the sewer revenue fund, and the parking revenue fund.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. For financial reporting purposes, proprietary funds are grouped into enterprise funds and internal service funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The City uses enterprise funds to account for its wastewater utility and parking facilities. An internal service fund is used to account for the City's tax collection office.

Fiduciary Funds

Assets held by the City for other parties, either as a trustee or an agent, and that cannot be used to finance the City's own operating programs are reported in the fiduciary funds. The City is the trustee, or fiduciary, for the City's three defined benefit pension plans. Fiduciary fund financial statements consist of a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including a budgetary comparison schedule for the general fund, pension information, and postemployment benefit information. Other supplementary information includes a combining balance sheet and a combining statement of revenues, expenditures, and changes in fund balances for non-major governmental funds, and budgetary schedules for the sewer revenue fund and the parking revenue fund.

Government-wide Financial Analysis

The following schedule is a summary of the statements of net position.

City of Warren, Pennsylvania						
Net Position at December 31, 2020 and 2019						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Assets</u>						
Current and other assets	\$ 5,905,356	\$ 5,795,074	\$ 5,854,872	\$ 6,747,619	\$ 11,760,228	\$ 12,542,693
Internal balances	429,702	434,950	(429,702)	(434,950)	-	-
Capital assets, net of depreciation	29,958,160	29,067,755	34,090,979	34,957,632	64,049,139	64,025,387
Note receivable	-	-	937,928	-	937,928	-
Net Pension Asset	2,514,892	694,826	-	-	2,514,892	-
Total Assets	<u>38,808,110</u>	<u>35,992,605</u>	<u>40,454,077</u>	<u>41,270,301</u>	<u>79,262,187</u>	<u>77,262,906</u>
<u>Deferred Outflows of Resources</u>						
Deferred Outflows - pensions	-	-	-	-	-	-
Total Deferred Outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>						
Current and other liabilities	927,420	1,219,760	732,718	779,796	1,660,138	1,999,556
Long-term portion of liabilities	2,061,717	1,596,765	17,769,075	18,413,761	19,830,792	20,010,526
Total Liabilities	<u>2,989,137</u>	<u>2,816,525</u>	<u>18,501,793</u>	<u>19,193,557</u>	<u>21,490,930</u>	<u>22,010,082</u>
<u>Deferred Inflows of Resources</u>						
Deferred Inflows - pensions	2,899,069	1,741,525	-	-	2,899,069	1,741,525
Unearned revenues-spec assessments	98,726	209,184	-	-	98,726	209,184
Total Deferred Inflows	<u>2,997,795</u>	<u>1,950,709</u>	<u>-</u>	<u>-</u>	<u>2,997,795</u>	<u>1,950,709</u>
<u>Net Position</u>						
Investment in capital assets, net of related debt	27,541,491	27,411,225	15,669,648	15,895,747	43,211,139	43,306,972
Restricted	248,193	357,501	-	-	248,193	357,501
Unrestricted	5,031,494	3,456,645	6,282,636	6,180,997	11,314,130	9,637,642
Total Net Position	<u>\$ 32,821,178</u>	<u>\$ 31,225,371</u>	<u>\$ 21,952,284</u>	<u>\$ 22,076,744</u>	<u>\$ 54,773,462</u>	<u>\$ 53,302,115</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Warren, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54,773,462 at the close of the most recent fiscal year.

A significant portion of the City's net assets (79%) reflects its investment in capital assets (land, buildings, improvements, infrastructure and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources of \$248,193 are subject to external restrictions for highway, street and building renovation projects. The balance of unrestricted net position of \$11,314,130 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

The City's net position from governmental activities increased \$1,595,807 from \$31,225,371 to \$32,821,178.

The City's net position from business-type activities decreased \$124,460 from \$22,076,744 to \$21,952,284. Net investment in capital assets decreased \$226,099; unrestricted net position increased \$101,639.

The following is a summary of the information presented in the statement of activities:

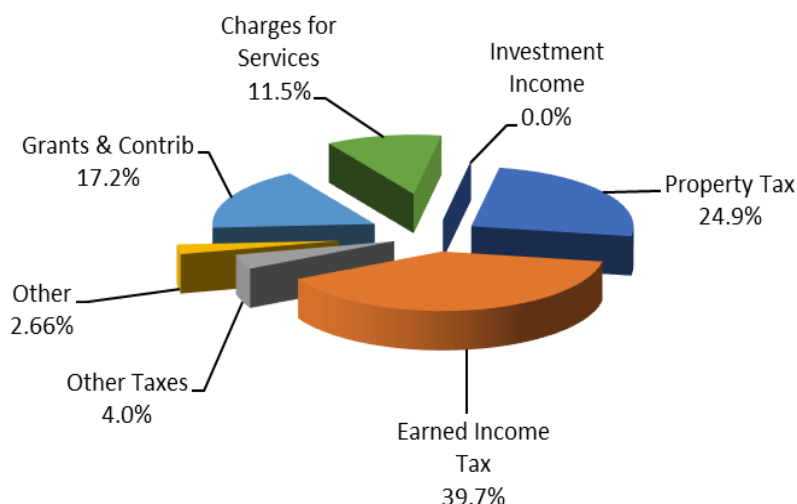
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,091,110	\$ 1,348,480	\$ 2,962,054	\$ 3,046,576	\$ 4,053,164	\$ 4,395,056
Operating grants and contrib	1,041,234	1,749,593	54,000	-	1,095,234	1,749,593
Capital grants and contrib	591,444	18,271	-	-	591,444	18,271
General Revenues:						
Property taxes	2,362,085	2,258,961	-	-	2,362,085	2,258,961
Earned income tax	3,757,663	3,831,547	-	-	3,757,663	3,831,547
Other taxes	378,434	413,346	-	-	378,434	413,346
Investment income	2,917	13,752	33,093	120,497	36,010	134,249
Other	252,097	173,336	-	8,739	252,097	182,075
Total Revenues	<u>9,476,984</u>	<u>9,807,286</u>	<u>3,049,147</u>	<u>3,175,812</u>	<u>12,526,131</u>	<u>12,983,098</u>
<u>Expenses</u>						
Governmental Activities:						
General government	1,474,153	1,270,088	-	-	1,474,153	1,270,088
Public safety	3,737,698	4,344,128	-	-	3,737,698	4,344,128
Public works, culture/rec	1,998,562	2,923,797	-	-	1,998,562	2,923,797
Community development	830,649	733,792	-	-	830,649	733,792
Building code enforcement	221,739	376,691	-	-	221,739	376,691
Interest expense	12,532	63,240	-	-	12,532	63,240
Other	-	-	-	-	-	-
Business-type Activities:						
Sewer wastewater	-	-	2,263,745	2,083,763	2,263,745	2,083,763
Parking	-	-	515,706	471,578	515,706	471,578
Total Expenses	<u>8,275,333</u>	<u>9,711,736</u>	<u>2,779,451</u>	<u>2,555,341</u>	<u>11,054,784</u>	<u>12,267,077</u>
Change in Net Position						
before other items	1,201,651	95,550	269,696	620,471	1,471,347	716,021
Special Item	-	-	-	-	-	-
Transfers	394,156	204,156	(394,156)	(204,156)	-	-
Capital Contributions	-	-	-	-	-	-
Change in Net Position	<u>1,595,807</u>	<u>299,706</u>	<u>(124,460)</u>	<u>416,315</u>	<u>1,471,347</u>	<u>716,021</u>
Net Position, Beginning of Year	<u>31,225,371</u>	<u>30,925,665</u>	<u>22,076,744</u>	<u>21,660,429</u>	<u>53,302,115</u>	<u>52,586,094</u>
Prior Period Adjustments						
Net Position, End of year	<u>\$ 32,821,178</u>	<u>\$ 31,225,371</u>	<u>\$ 21,952,284</u>	<u>\$ 22,076,744</u>	<u>\$ 54,773,462</u>	<u>\$ 53,302,115</u>

The City's governmental activities in 2020 relied heavily upon earned income tax revenue (39.7%), property tax revenue (24.9%), grants and contributions (17.2%), and charges for services (11.5%) to fund operations. The tax rate for both real estate and earned income remained the same for 2020 after an increase in 2013. The real estate rate is 19.8 mills; earned income is 2.2% (2.7% including the school district rate of .5%) for City residents. Although earned income tax revenue was lower than the previous year by \$73,884 (1.9%), overall tax revenue closely mirrored 2019 with a slight decrease of .09%.

The cost of governmental activities totaled \$8,275,333 for the year ended December 31, 2020. Removing the impact of the change in net pension liability, deferred inflows, and deferred outflows of governmental activities decreased \$549,151, representing a 6% decrease from the prior year primarily attributed to a decrease in interest expense.

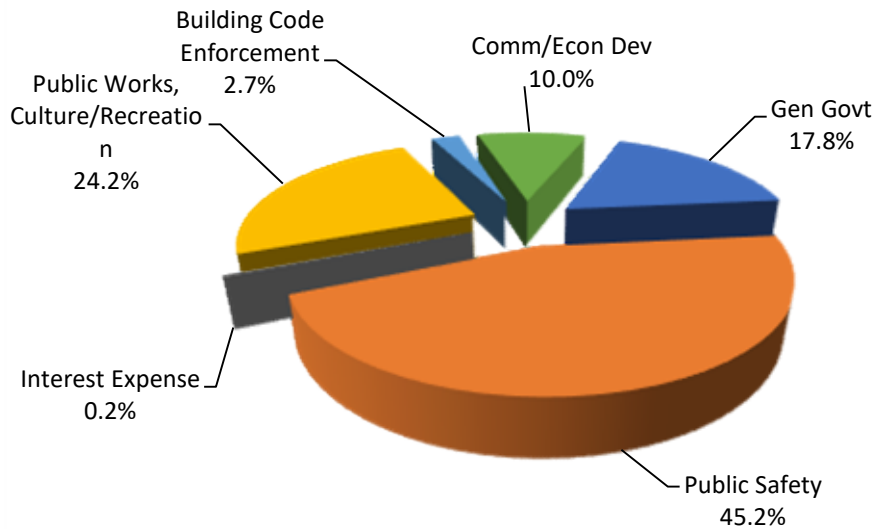
The following graph shows the composition of revenues by source for the City's governmental activities:

Revenues by Source - Governmental Activities



The following graph presents governmental expenses by function:

Expenses by Function - Governmental Activities



Capital Assets

The City's investment in capital assets for governmental and business-type activities as of December 31, 2020, amounts to \$43,211,139 (net of accumulated depreciation). This investment in capital assets includes land and buildings, machinery and equipment, vehicles, the sewer system, infrastructure and construction in progress.

Major capital asset events during the current fiscal year include the following:

- A Heat Recovery Ventilator was installed in the Municipal Building basement at a cost of \$5,085.
- The Police Department purchased two fully outfitted 2020 Ford Explorer Police Utility Interceptor patrol cars at a total cost of \$92,430. The cars were partially offset by USDA Rural Development grant funds.
- The Fire Department purchased three First Net Ready Panasonic Toughbook Laptops at a total cost of \$10,500 to be installed on the department's emergency vehicles. This purchase was offset with PEMA-FCEMS state grant proceeds.
- The Fire Department also purchased a 2019 Chevy Silverado Pickup truck at a cost of \$53,529.
- The Fire Department also purchased a 2019 Rosenbauer 100 ft. Aerial fire apparatus at a cost of \$937,928. This purchase was financed with a loan from the City's sewer fund at an interest rate of 3.0% over 180 months.

- The Department of Public Works purchased a 2021 Chevy Silverado Pickup truck at a cost of \$32,725.
- Renovations at Lacy Park were completed at a total cost of \$477,063. Items included complete site restoration (foundation, storm water, sidewalks and parking lot), restroom building upgrade, construction of a 20'x40' pavilion, and basketball court lighting/poles & backboards. This project was partially funded by a DCNR grant in the amount of \$265,000.
- Seven 6 ft. park benches were installed at Lacy Park for a cost of \$11,683. Also installed were 11 items of Sensory Playground Equipment constructed for children with special needs at a total cost of \$143,242. This sensory equipment was partially funded by private contributions in the amount of \$142,559.
- A Park Avenue multi-year reconstruction project included the construction of a retaining wall, sidewalk and curb at a total cost of \$267,301. CDBG grant funds in the amount of \$206,552 were allocated to this project.
- A Sewer Fund vehicle purchase included a used 2013 International Model 7600 Pickup truck at a cost of \$30,082. Also included were (2) Thirty Cubic Yard Roll-Offs at a cost of \$2,000 each to be used for sludge removal.
- Sewer fund equipment purchases included an Aqua Power Nozzle for the sewer vac truck at a cost of \$7,020; a Lenovo Think Pad P73 at a cost of \$2,633.
- Total City-wide building, equipment and machinery disposed in 2020 totaled \$21,625 (net of accumulated depreciation).

Long-Term Liabilities

At the end of the current fiscal year, the City had revenue and general obligation notes that totaled \$1,967,254; compensated absences totaled \$453,393; other postemployment benefits totaled \$63,868; capital leases totaled \$11,398. Included in the revenue and general obligation note balance are two notes obtained in 2010 for Streetscape Project funding and for capital equipment purchases; as well as a promissory interfund note for the 2020 purchase of an Aerial fire truck financed with sewer funds (payments to begin January 2021). The balance outstanding at year end for the 2017 Pennvest sewer treatment plant upgrade construction project totaled \$18,405,993. The City's total long-term liabilities decreased \$179,734.

General Fund Budgetary Highlights

Significant revenue differences between the final budget and actual amounts included a negative variance in taxes, primarily due to the collection of earned income tax at 95% of budget and local services tax at 89% of budget. A positive balance is reflected in license and permit revenue which includes vendor/event permits, street/curb permits, and building permits/inspections. Intergovernmental revenue also reports a positive balance which includes an increase in PENNDOT winter maintenance, as well as the receipt of a USDA police vehicle grant, PEMA firefighter grant which also includes COVID-19 fire & EMS grants, CARES Act funding, township FIRE/EMS services provided, and numerous smaller grants. Interest, rents & royalties include a slight increase in interest earnings; however, proceeds from oil/gas royalties continue to decrease each year. Charge for Services revenue reflects a positive variance primarily due to an increase in recycling fees received and EMS fees received. Recreational user fees, however, suffered a significant revenue decrease due to the closure of the City's parks, playgrounds, swimming pool and other seasonal activities due to COVID-19 pandemic restrictions.

Total general fund operating expenditures for the year (not including transfers to other funds) were at 75% of budget.

Significant expenditure variances were:

- Wages and benefit costs ended the year close to budget – 7.6% less than budgeted.
- Supplies were 24.5% less than budgeted and include office, training, cleaning, and highway supplies. Also included are general operating supplies which reflects a significant decrease compared to the prior year due to the reduction of recreational activities as a result of the closures related to the pandemic restriction recommendations.
- Property and liability insurances were 22.7% lower than budgeted.
- Utility expense (telephone, electricity, gas, sewer, water and solid waste disposal) was just slightly under budget at 97.5%. All utilities experienced a decrease compared to budget except for telephone and solid waste expense which were slightly over budget.
- Professional services combined (accounting/auditing, consulting, engineering, legal) were 54.7% below budget primarily due to the comprehensive plan/zoning update project delay.
- Contracted services were lower than budgeted by 26.4% significantly due to the swimming pool closure for the 2020 season due to the pandemic restrictions. Also, IT support, snow removal, lawn mowing, and street utility repair had less activity than estimated.
- Training/education and meetings/conferences were at only 19.8% of budget. This reduction is attributed to the travel restrictions implemented during the pandemic.

- Capital equipment purchases were budgeted at \$2,346,700; actual purchases totaled \$1,208,792. This large variance was primarily due to the allocation of funds for the purchase of two fire trucks but only one truck was purchased during the year. Also, funding for the purchase of a dump truck, as well as a utility vehicle for the Codes department, was included in the budget but also were not purchased during the year.

Economic Factors and Next Year's Budgets and Rates

- Unemployment in Warren County hasn't returned to pre-COVID-19 levels, but it's getting closer. The unemployment rate for the City of Warren closely parallels the county seasonally adjusted rate of 6.3% at year-end; 1.2% higher than one year ago at 5.1%. While the rate is higher than the rate one year earlier, the county had the lowest unemployment rate in the region and was below both the state and national averages of 6.7%. Rates for Bradford were 6.9%, 7.0% in Meadville, 7.1% in Oil City, and 7.7% in both Forest County and Erie.
- Figures from the 2010 census show that the City of Warren has lost 5.4% of its population since the 2000 census from 10,259 to approximately 9,710. 2015 estimates projected that the City population fell further to 9,400; 2019 estimates projected that the population fell even further to 9,049. This trend is mirrored by other northwestern Pennsylvania municipalities of similar size. The primary reason for the decline has been job loss. The new census data revealed that Warren County has one of the oldest populations in the state (5th out of 67 counties) and is one of 13 counties in the state to experience population loss of greater than 5% since the 2010 census; 23.5% of county residents are over age 65, partly due to the fact that young people do not return to the area after college. Only 19.3% of Warren County's population was under the age of 18 in 2020. Statistics show a total population of 40,396 in 2015 – a 3.4% drop since the last census in 2010 at 41,815. 2020 marks the fourth year where the county's population has dipped below 40,000 – estimates had the county's population in 2020 dropping to 39,191 from 39,677.
- Investment rates were down considerably at 2020 year-end at .01% up to .08% yield on the City's liquid investments with Pennsylvania Local Government Trust (PLGIT) compared 1.50% up to 1.79% at December 2019. Certificate of deposit rates also decreased averaging .10% for 90-180-day CD rates compared to 1.7%; 270-day CD rates were .10% compared to 1.72% a year ago. PLGIT Term rates reflect similar decreases: 90-180 day .11% at December 2020 compared to 1.78% at December 2019; 270-day Term rates at .11% compared to 1.78%.

These factors, as well as factors including infrastructure costs, public safety costs, employee-related costs for healthcare, pensions, wages, and cuts in state and federal aid, were considered in preparing the City of Warren's budget for the 2021 fiscal year. The last few years have seen a pattern of appropriating the City's fund balance to balance the operational budget. After a 14.6% decrease in general fund balance at the end of 2019, the City experienced a 16.8% increase at the end of 2020. The City appropriated \$1,104,453 fund balance to balance its 2021 operational fiscal budget; fund balance of \$500,000 was appropriated in the 2021 budget to fund scheduled Capital Improvement Projects.

Highlights of the 2021 fiscal budget include:

- Earned income tax revenue and local services tax revenue are budgeted with a 20% decrease compared to the prior year in anticipation of a loss of revenue as a result of regional layoffs and unemployment created by the pandemic. Real estate transfer tax revenue was budgeted with a 10% decrease also in anticipation of the pandemic negative effects on the economy. The 2021 budget reflects a .1% EIT rate increase, as well as a 1 mill real estate tax increase.
- Employee wage and benefit costs (net of pension) are projected to increase only .2% across all funds for 2021. Non-uniform employees, as well as IBEW contractual employees will remain at the 2020 wage rate. Negotiations will continue in 2021 for the police and firefighters' contracts which expire on December 31, 2020; therefore, a wage increase was not included in the 2021 budget. Overall, health insurance premiums reflect a 5.5% rate increase for 2021 which is substantially lower than increases in prior years primarily due to a deductible increase for non-uniform employees.
- The Minimum Municipal Obligation (MMO) expense for the City's pension plans contains a 3.2% increase following a 5.3% increase for 2020. A substantial increase over and above the expected pension state aid is again projected for 2021.
- A total of \$280,000 was appropriated for street resurfacing for the 2021 summer season to be funded by state appropriated Liquid Fuels funds. An additional \$65,000 has been appropriated to street resurfacing and curb and driveway adjustments utilizing assigned fund balance.
- Local Federal Aid Route (LFAR) funding of \$1,173,000, as well as \$75,000 of assigned general fund balance, was appropriated for mill and overlay projects for select streets.
- Community Development Block Grant (CDBG) funding of \$560,000, as well as \$20,000 of assigned general fund balance, was appropriated for reconstruction of S. South Street.
- The City continues to take an aggressive approach to upgrade its parks and playgrounds in order to bring them into compliance with the Americans with Disabilities Act (ADA). Included in the budget is \$490,000 for the Crescent Park Healing Garden Walking Trail that includes \$240,000 funding from Pennsylvania Department of Conservation and Natural Resources (DCNR), \$13,373 Act 57 DEP funding, local contributions of \$75,000, as well as \$175,000 of assigned general fund balance.
- Funds of \$110,000 have again been appropriated for dredging at the Third Avenue Bridge area. Also, \$50,000 has been appropriated for the Glade Run levee rehabilitation, right-of-way and relocation project.
- The eastern restroom at Betts Park is scheduled to be rehabilitated funded by \$50,000 Betts Foundation contributions and \$5,000 of assigned general fund balance.

- Included in the Police Department budget is \$23,500 for safety gear and a crime scene camera. Also included is \$41,500 for a police vehicle with 50% to be funded by a USDA grant.
- Included in the Fire Department budget is \$20,000 for the purchase of a paging/texting system. Also included is \$462,072 for the replacement of a pumper fire apparatus. It is anticipated that the City will borrow sewer funds to finance the truck with a term of 180 months at 3.0%.
- Appropriations to continue the City's contracted services for grass cutting and snow removal for most City properties are included in the 2021 budget.
- Included in the Public Works budget is \$105,000 for the purchase of a one-ton dump truck and \$6,000 for a snowplow. Also, \$25,000 has been appropriated for repairs to the DPW Salt/Material building.
- Included in the budget for Planning/Economic Development is an appropriation of \$33,000 for consulting services to update the comprehensive plan and zoning ordinance utilizing DCED funding.
- Contributions of \$35,000 are included to assist various agencies that have submitted funding requests.
- Included in the Sewer Fund budget is \$35,000 for the purchase of a new pickup truck.

Requests for Information

This financial report is designed to provide a general overview of the City of Warren's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Warren Finance Office, 318 West Third Avenue, Warren, PA 16365.

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CITY OF WARREN, PENNSYLVANIA
Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 4,519,991	\$ 5,311,235	\$ 9,831,226
Restricted cash	102,303	-	102,303
Receivable, net	163,427	467,840	631,267
Taxes receivable, net	398,703	-	398,703
Intergovernmental receivable, net	720,457	75,797	796,254
Prepaid items	475	-	475
Interfund receivable	429,702	(429,702)	-
Total Current Assets	<u>6,335,058</u>	<u>5,425,170</u>	<u>11,760,228</u>
Non-Current Assets			
Capital assets:			
Assets not being depreciated	991,209	54,532	1,045,741
Assets being depreciated, net	28,966,951	34,036,447	63,003,398
Note receivable	-	937,928	937,928
Net pension asset	2,514,892	-	2,514,892
Total Non-Current Assets	<u>32,473,052</u>	<u>35,028,907</u>	<u>67,501,959</u>
Total Assets	<u>\$ 38,808,110</u>	<u>\$ 40,454,077</u>	<u>\$ 79,262,187</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 155,907	\$ 65,086	\$ 220,993
Accrued liabilities	117,525	-	117,525
Intergovernmental payable	128,266	-	128,266
Interest payable	-	15,338	15,338
Other liabilities	106,902	-	106,902
Compensated absences	166,446	5,843	172,289
Capital leases payable	4,160	-	4,160
Notes payable	248,214	646,451	894,665
Total Current Liabilities	<u>927,420</u>	<u>732,718</u>	<u>1,660,138</u>
Non-Current Liabilities			
Compensated absences	271,571	9,533	281,104
Capital leases payable	7,238	-	7,238
Notes payable	1,719,040	17,759,542	19,478,582
OPEB obligation	63,868	-	63,868
Total Non-Current Liabilities	<u>2,061,717</u>	<u>17,769,075</u>	<u>19,830,792</u>
Total Liabilities	<u>2,989,137</u>	<u>18,501,793</u>	<u>21,490,930</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pensions	2,899,069	-	2,899,069
Unearned revenues-special assessments	98,726	-	98,726
Total Deferred Inflows	<u>2,997,795</u>	<u>-</u>	<u>2,997,795</u>
NET POSITION			
Net investment in capital assets	27,541,491	15,669,648	43,211,139
Restricted for:			
Liquid fuels	211,181	-	211,181
Streetscape project	37,012	-	37,012
Unrestricted	5,031,494	6,282,636	11,314,130
Total Net Position	<u>\$ 32,821,178</u>	<u>\$ 21,952,284</u>	<u>\$ 54,773,462</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Activities

For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Operating Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Functions/Programs</u>				
<u>Governmental Activities:</u>				
General government	\$ 1,474,153	\$ 183,014	\$ 249,764	\$ -
Public safety	3,737,698	416,726	420,316	-
Public works	1,445,984	268,040	371,154	-
Culture and recreation	552,578	126,137	-	-
Community development	830,649	-	-	591,444
Building code enforcement	221,739	97,193	-	-
Interest expense	12,532	-	-	-
Total Governmental Activities	8,275,333	1,091,110	1,041,234	591,444
<u>Business-Type Activities:</u>				
Sewer	2,263,745	2,570,602	-	-
Parking	515,706	391,452	54,000	-
Total Business-Type Activities	2,779,451	2,962,054	54,000	-
Total	\$ 11,054,784	\$ 4,053,164	\$ 1,095,234	\$ 591,444

The notes to the financial statements are an integral part of these statements.

Net (Expense)/Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (1,041,375)	\$ -	\$ (1,041,375)
(2,900,656)	-	(2,900,656)
(806,790)	-	(806,790)
(426,441)	-	(426,441)
(239,205)	-	(239,205)
(124,546)	-	(124,546)
(12,532)	-	(12,532)
(5,551,545)	-	(5,551,545)
-	306,857	306,857
-	(70,254)	(70,254)
-	236,603	236,603
(5,551,545)	236,603	(5,314,942)

General Revenues:

Taxes			
Property tax	2,362,085	-	2,362,085
Earned income tax	3,757,663	-	3,757,663
Local services tax	289,695	-	289,695
Realty transfer tax	82,415	-	82,415
Utility tax	6,324	-	6,324
Investment earnings	2,917	33,093	36,010
Transfers in/(out)	394,156	(394,156)	-
Gain/(Loss) on sale of fixed assets	(13,989)	-	(13,989)
Miscellaneous revenues	266,086	-	266,086
Total General Revenues	7,147,352	(361,063)	6,786,289
Change in Net Position	1,595,807	(124,460)	1,471,347
Net Position, Beginning of Year	31,225,371	22,076,744	53,302,115
Net Position, End of Year	\$ 32,821,178	\$ 21,952,284	\$ 54,773,462

CITY OF WARREN, PENNSYLVANIA

Balance Sheet Governmental Funds December 31, 2020

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,380,927	\$ 643,497	\$ 327,321	\$ 4,351,745
Restricted cash	102,303	-	-	102,303
Receivable, net	133,709	-	29,718	163,427
Taxes receivable, net	398,703	-	-	398,703
Intergovernmental receivable, net	81,487	500,000	138,970	720,457
Prepaid items	475	-	-	475
Interfund receivable	589,078	-	-	589,078
Total Assets	\$ 4,686,682	\$ 1,143,497	\$ 496,009	\$ 6,326,188
LIABILITIES				
Accounts payable	\$ 107,102	\$ -	\$ 48,805	\$ 155,907
Accrued liabilities	117,525	-	-	117,525
Interfund payable	-	-	119,396	119,396
Other liabilities	10,235	-	96,667	106,902
Total Liabilities	234,862	-	264,868	499,730
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	362,859	-	-	362,859
Unavailable revenue - special assessments	98,726	-	-	98,726
Total Deferred Inflows of Resources	461,585	-	-	461,585
FUND BALANCE				
Nonspendable:				
Prepaid items	475	-	-	475
Restricted:				
Liquid fuels	-	-	211,181	211,181
Streetscape project	37,012	-	-	37,012
Committed:				
Economic development funding	-	1,143,497	-	1,143,497
Glade floodway	-	-	19,960	19,960
Assigned:				
Community improvement projects	500,000	-	-	500,000
Equipment	198,778	-	-	198,778
Operations	1,104,453	-	-	1,104,453
Parking fund	233,570	-	-	233,570
Unassigned	1,915,947	-	-	1,915,947
Total Fund Balance	3,990,235	1,143,497	231,141	5,364,873
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,686,682	\$ 1,143,497	\$ 496,009	\$ 6,326,188

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

Differences in amounts reported for governmental activities in the Statement of Net Position

Fund balances - governmental funds	\$	5,364,873
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		29,958,160
Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		(2,899,069)
Certain long-term assets are not available to pay current period expenditures and, therefore, are unearned in the funds-Unavailable revenue-Property taxes		362,859
Other post-employment benefits are reflected on the Statement of Net Position, but are not considered a current expenditure for the fund statements		(63,868)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Notes payable	\$	(1,967,254)
Capital leases payable		(11,398)
Net pension asset		2,514,892
Compensated absences		(438,017)
		<u>98,223</u>
Net position of governmental activities	\$	<u><u>32,821,178</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2020

	General Fund	Warren Redevelopment Assistance Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,373,355	\$ -	\$ -	\$ 6,373,355
Intergovernmental	771,168	-	901,360	1,672,528
Charges for services	513,745	-	-	513,745
Interest, rents and royalties	10,253	319	2,598	13,170
Licenses and permits	444,761	-	-	444,761
Fines and forfeits	53,464	-	-	53,464
Other	102,014	-	172,278	274,292
Total Revenues	<u>8,268,760</u>	<u>319</u>	<u>1,076,236</u>	<u>9,345,315</u>
EXPENDITURES				
General government	947,730	-	-	947,730
Public safety	5,270,893	-	-	5,270,893
Public works	1,546,487	-	-	1,546,487
Culture and recreation	405,775	-	-	405,775
Community development	103,743	15,000	1,491,195	1,609,938
Building code enforcement	248,243	-	-	248,243
Debt service	-	-	243,340	243,340
Total Expenditures	<u>8,522,871</u>	<u>15,000</u>	<u>1,734,535</u>	<u>10,272,406</u>
Excess of revenues over expenditures	<u>(254,111)</u>	<u>(14,681)</u>	<u>(658,299)</u>	<u>(927,091)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	819,317	-	978,313	1,797,630
Transfers out	(978,313)	-	(425,161)	(1,403,474)
Loan proceeds	979,928	-	-	979,928
Gain on sale of asset	7,636	-	-	7,636
Total Other Financing Sources (Uses)	<u>828,568</u>	<u>-</u>	<u>553,152</u>	<u>1,381,720</u>
Net Change in Fund Balance	574,457	(14,681)	(105,147)	454,629
Fund Balances, Beginning of Year	<u>3,415,778</u>	<u>1,158,178</u>	<u>336,288</u>	<u>4,910,244</u>
Fund Balances, End of Year	<u>\$ 3,990,235</u>	<u>\$ 1,143,497</u>	<u>\$ 231,141</u>	<u>\$ 5,364,873</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2020

Net change in fund balances - total governmental funds	\$	454,629
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the Statement of Net Position		1,895,608
The net effect of various miscellaneous transactions involving capital assets (i.e. disposal of assets) is to decrease net position		(21,625)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(983,578)
Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues in the governmental funds:		
Unavailable revenue - property taxes	\$	118,502
Change in net pension asset/liability	<u>2,044,796</u>	2,163,298
Deferred inflows are not reflected in the fund statements as they are related to future pension obligations		(1,157,544)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current year these amounts are:		
Payments on notes payable	230,808	
Payments on capital lease payable	3,956	
Issuance of note payable	(979,928)	
Change in compensated absences	(14,975)	
Change in other post-employment benefits	<u>5,158</u>	<u>(754,981)</u>
Change in net position of governmental activities	<u>\$</u>	<u>1,595,807</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Net Position

Proprietary Funds

December 31, 2020

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,181,222	\$ 130,013	\$ 5,311,235	\$ 168,246
Receivable, net	457,331	10,509	467,840	-
Intergovernmental receivable, net	75,797	-	75,797	-
Total Current Assets	<u>5,714,350</u>	<u>140,522</u>	<u>5,854,872</u>	<u>168,246</u>
Non-Current Assets				
Land	32,902	21,630	54,532	-
Assets being depreciated, net	26,593,005	7,443,442	34,036,447	-
Note receivable	937,928	-	937,928	-
Total Non-Current Assets	<u>27,563,835</u>	<u>7,465,072</u>	<u>35,028,907</u>	<u>-</u>
Total Assets	<u>\$ 33,278,185</u>	<u>\$ 7,605,594</u>	<u>\$ 40,883,779</u>	<u>\$ 168,246</u>
LIABILITIES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts payable	\$ 62,877	\$ 2,209	\$ 65,086	\$ -
Interest payable	15,338	-	15,338	-
Intergovernmental payable	-	-	-	128,266
Interfund payable	220,982	208,720	429,702	39,980
Compensated absences	5,843	-	5,843	-
Note payable	646,451	-	646,451	-
Total Current Liabilities	<u>951,491</u>	<u>210,929</u>	<u>1,162,420</u>	<u>168,246</u>
Non-Current Liabilities				
Compensated absences	9,533	-	9,533	-
Note payable	17,759,542	-	17,759,542	-
Total Non-Current Liabilities	<u>17,769,075</u>	<u>-</u>	<u>17,769,075</u>	<u>-</u>
Total Liabilities	<u>18,720,566</u>	<u>210,929</u>	<u>18,931,495</u>	<u>168,246</u>
NET POSITION				
Net investment in capital assets	8,204,576	7,465,072	15,669,648	-
Unrestricted	6,353,043	(70,407)	6,282,636	-
Total Net Position	<u>14,557,619</u>	<u>7,394,665</u>	<u>21,952,284</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 33,278,185</u>	<u>\$ 7,605,594</u>	<u>\$ 40,883,779</u>	<u>\$ 168,246</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 2,570,602	\$ 391,452	\$ 2,962,054	\$ 27,156
Other	-	54,000	54,000	-
Total Operating Revenues	2,570,602	445,452	3,016,054	27,156
Operating Expenses				
Salaries and wages	416,942	71,192	488,134	15,365
Employee benefits	156,789	23,167	179,956	11,181
Supplies	185,562	15,863	201,425	92
Sludge removal	226,842	-	226,842	-
Utilities	150,681	19,663	170,344	175
Other	281,656	125,971	407,627	343
Depreciation	658,275	259,850	918,125	-
Total Operating Expenses	2,076,747	515,706	2,592,453	27,156
Operating Income (Loss)	493,855	(70,254)	423,601	-
Non-Operating Revenues (Expenses)				
Investment earnings	32,772	321	33,093	-
Interest expense	(186,998)	-	(186,998)	-
Transfers out	(256,410)	(137,746)	(394,156)	-
Total Non-Operating Revenue (Expenses)	(410,636)	(137,425)	(548,061)	-
Change in Net Position	83,219	(207,679)	(124,460)	-
Net Position, Beginning of Year	14,474,400	7,602,344	22,076,744	-
Net Position, End of Year	\$ 14,557,619	\$ 7,394,665	\$ 21,952,284	\$ -

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2020

	Business-Type Activities			Governmental Activities
	Sewer Fund	Parking Fund	Total Enterprise Funds	Internal Service Fund
Cash flows from operating activities:				
Cash receipts from customers	\$ 2,566,433	\$ 398,490	\$ 2,964,923	\$ 27,156
Cash receipts from others	-	54,000	54,000	-
Cash payments to suppliers for goods and services	(617,046)	(36,155)	(653,201)	(391)
Cash payments to employees for services	(485,383)	(185,108)	(670,491)	(131,236)
Cash payments for other operating expenses	(281,656)	(125,971)	(407,627)	(343)
Net cash provided by (used by) operating activities	<u>1,182,348</u>	<u>105,256</u>	<u>1,287,604</u>	<u>(104,814)</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(256,410)	(137,746)	(394,156)	-
Net cash used by noncapital and related activities	<u>(256,410)</u>	<u>(137,746)</u>	<u>(394,156)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(51,472)	-	(51,472)	-
Principal payments on note/lease	(640,021)	-	(640,021)	-
Interest paid on debt	(186,998)	-	(186,998)	-
Net cash used by capital and related financing activities	<u>(878,491)</u>	<u>-</u>	<u>(878,491)</u>	<u>-</u>
Cash flows from investing activities:				
Interest income	32,772	321	33,093	-
Note to General Fund	(937,928)	-	(937,928)	-
Net cash provided by investing activities	<u>(905,156)</u>	<u>321</u>	<u>(904,835)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(857,709)	(32,169)	(889,878)	(104,814)
Cash and cash equivalents, January 1, 2020	<u>6,038,931</u>	<u>162,182</u>	<u>6,201,113</u>	<u>273,060</u>
Cash and cash equivalents, December 31, 2020	<u>\$ 5,181,222</u>	<u>\$ 130,013</u>	<u>\$ 5,311,235</u>	<u>\$ 168,246</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:				
Operating income (loss)	\$ 493,855	\$ (70,254)	\$ 423,601	\$ -
Adjustment to reconcile operating income (loss) to net cash provided by (used by) operating activities:				
Depreciation	658,275	259,850	918,125	-
Changes in assets, liabilities, and deferred inflows				
(Increase) decrease in receivable	(1,782)	7,038	5,256	-
(Increase) decrease in intergovernmental receivable	(2,387)	-	(2,387)	-
Increase (decrease) in accounts payable	(53,427)	(629)	(54,056)	(124)
Increase (decrease) in compensated absences	2,847	-	2,847	-
Increase (decrease) in intergovernmental payable	-	-	-	(76,983)
Increase (decrease) in interest payable	(534)	-	(534)	-
Increase (decrease) in interfund payable	85,501	(90,749)	(5,248)	(27,707)
Net cash provided by (used by) operating activities	<u>\$ 1,182,348</u>	<u>\$ 105,256</u>	<u>\$ 1,287,604</u>	<u>\$ (104,814)</u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Fiduciary Net Position
Pension Trusts
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 92,447
Investments	<u>22,657,148</u>
Total Assets	<u><u>\$ 22,749,595</u></u>

LIABILITIES

Accounts payable	<u>\$ 3,963</u>
Total Liabilities	<u>3,963</u>

NET POSITION

Net position held in trust for pension benefits	<u>22,745,632</u>
Total Net Position	<u>22,745,632</u>
Total Liabilities and Net Position	<u><u>\$ 22,749,595</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Statement of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2020

Additions:	
Contributions	
Employer	\$ 708,668
Plan members	<u>108,958</u>
Total	817,626
Investment income (loss), net	<u>3,210,989</u>
Total Additions	<u>4,028,615</u>
Deductions:	
Benefits	1,008,506
Management expense	<u>69,098</u>
Total Deductions	<u>1,077,604</u>
Change in Net Position	2,951,011
Net Position, Beginning of Year	<u>19,794,621</u>
Net Position, End of Year	<u><u>\$ 22,745,632</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF WARREN, PENNSYLVANIA
Notes to Financial Statements
December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Warren, Pennsylvania was incorporated in 1832, operating as a borough under the Borough code until December 31, 1977, when it changed to a Home Rule Municipality under the Home Rule Charter and Optional Plans Law, Pennsylvania Act 62 of 1972. On January 2, 1989, the Borough changed its name to the City of Warren. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety – Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture/Recreation, Public Improvements, Planning and Zoning, Code Enforcement, and General Administrative Services.

The City's financial statements include the accounts of all City operations. The criteria for including organizations within the City's reporting entity primarily include the degree of oversight responsibility maintained by the City Council. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

The City established the Redevelopment Authority of the City of Warren, whose purpose is to acquire and dispose of blighted properties within the City. Financial data for the Redevelopment Authority of the City of Warren is not included as a component unit in these financial statements because inclusion is immaterial to the City's basic financial statements. The Redevelopment Authority of the City of Warren has issued separate financial statements for 2020.

B. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Warren Redevelopment Assistance Loan fund is used to provide funding for start-up businesses and non-profit organizations created to improve the City of Warren.

The Capital Improvement Program fund accounts for governmental fund-type capital projects of the City.

The Community Development Block Grant fund accounts for federally funded programs of the City.

The Highway Aid fund accounts for monies received from the state and used for street and road projects.

The Glade Run Escrow fund accounts for funds held for the maintenance of Glade Run under an agreement with Department of Environmental Protection.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following proprietary funds:

The Sewer Revenue fund accounts for activities of the City's sewage system. The City operates the sewage treatment plant and sewage pumping stations and collections systems.

The Parking Revenue fund accounts for the activities of the City's parking operations.

Additionally, the City reports the following fund types:

The Internal Service fund accounts for services provided to other departments of the City, or to other governments, on a cost reimbursement basis.

The Fiduciary funds account for the activities of the City's pension funds, which accumulates resources for pension benefit payments to qualified employees.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

The City follows these procedures in establishing the budget:

1. In accordance with the City's Home Rule Charter, on or before 45 days prior to December 31, the City Manager submits a proposed budget and an accompanying message to the City Council for the ensuing year. The message explains the budget both in fiscal terms and in terms of programs, policies, activities, and plans. The budget document provides a financial plan of the general fund, the capital improvement fund, the sewer revenue fund, and the parking revenue fund for the upcoming year and is balanced in that the total of proposed expenditures does not exceed total estimated revenues. The budget is in such form as the City Manager deems desirable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted by resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general fund, the capital improvement fund, and the enterprise funds.
5. Adoption of the budget constitutes the appropriation of the amounts specified in the general fund as expenditures.
6. Appropriations may be transferred within departments at any time during the year by the City Manager. City Council may, by resolution, transfer appropriations between departments. Appropriations may not be reduced below any amounts required by law or by more than the amount of unappropriated balance remaining.
7. Appropriations lapse at the end of each fiscal year unless encumbered.
8. City Council may authorize supplemental appropriations during the year.

The City does not provide a budget for its major special revenue fund, the Warren Redevelopment Assistance Loan fund, as the fund's revenues and expenditures relate only to the fund's loan activity.

Excess of expenditures over appropriations

The budget for the parking revenue fund disclosed an excess of expenditures over appropriations of \$127,631 mainly due to depreciation expense not being budgeted for by the City and lower than anticipated other expenditures. The amounts over expended were funded by prior year's accumulated net position.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and cash equivalents and investments

The government's cash and cash equivalents as used in the statement of cash flows are considered to be cash on hand, demand deposits, pooled for investment purposes in the Pennsylvania Local Government Investment Trust (PLGIT), and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pennsylvania statutes provide for investment of Governmental Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. Fiduciary Fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices.

The deposit and investment policy of the City adheres to state statutes and prudent business practice. The investments of the Fiduciary Funds are administered by trustees and are held separately from those of other City funds.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. For infrastructure assets the same estimated minimum useful life is used (in excess of one year), but only those infrastructure projects that cost more than \$10,000 are reported as capital assets.

Capital assets in governmental activities acquired prior to December 31, 2002 are valued at acquisition costs provided by an industrial appraiser. Governmental capital assets purchased after December 31, 2002 are valued at cost. Governmental infrastructure assets acquired after December 31, 2003 are reported at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets life are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Computers and software	5
Machinery and equipment	8-15
Vehicles	8
Improvements	15-20
Buildings	20-40
Infrastructure	50

4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three types of deferred inflows, which arise under a modified accrual basis of accounting and full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet and statement of net position. The governmental funds report unavailable revenues from two sources: property taxes, which is currently shown in the fund statements, and special assessments, which is shown in both the fund statements and government-wide statements. The other deferred inflow of the City of Warren is related to actuarially determined changes in the net pension liability recognized over future periods (see note 7 for further information.) These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the director of finance to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures/Expenses

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

The property tax is levied each June on the assessed valuation of property located in the City as of the preceding June. Assessed values are established annually by Warren County and are equalized by the State at an estimated 50% of current market value. Assessed valuation of taxable real estate amounted to \$112,523,040 at a tax rate of 19.8 mills. Taxes are paid at discount to September 30th and at par to November 30th. Taxes paid after November 30th are assessed a 10% penalty.

Unpaid property taxes are returned to the County Treasurer by the City on the last Monday in April. The property is levied at that time. Delinquent notices are sent in July. Taxpayers have until the following June to pay the balance. If unpaid by July 1, property is advertised for sale. The property is then posted in August and sold on the second Monday of September.

3. Compensated absences and accumulated unpaid employee benefits

Unionized and nonunionized City employees generally earn sick leave at rates set forth in the respective union contracts. Sick leave accumulates on a monthly basis and is fully vested when earned. Accumulation policies vary depending on the contract.

4. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts.

5. Credit risk

During the course of operations, the City grants credit to its customers, substantially all of whom are located in the City's area.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Proprietary funds operating and nonoperating revenues and expenses.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund, parking fund, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

I. Pronouncements Implemented

GASB Statement No. 84 "*Fiduciary Activities*" was implemented during the year. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

J. Future Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the City's financial statements:

GASB Statement No. 87 "*Leases*", effective for fiscal years beginning after June 15, 2021. The objective of this statement is to improve accounting and financial reporting for leases.

GASB Statement No. 97 "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*," effective for fiscal year beginning after June 15, 2021. The objective of this statement is to increase the consistency and comparability related to the reporting of fiduciary component units.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS – PRIMARY GOVERNMENT

Primary Government:

Deposits

At December 31, 2020, the City's deposits, excluding the pension trust funds, are as follows:

	<u>Bank</u>	<u>Book</u>
Governmental Activities:		
Cash and cash equivalents	\$ 4,707,340	\$ 4,622,294
Business-Type Activities:		
Cash and cash equivalents	<u>5,309,156</u>	<u>5,311,235</u>
	<u>\$ 10,016,496</u>	<u>\$ 9,933,529</u>

Included in the governmental activities and business-type activities, unrestricted cash is the City's investment in PLGIT external investment pools, with total deposit of \$6,796,143 as of December 31, 2020. The City's investment in the investment pool is the same as the value of the pool shares and is reported at amortized cost, which approximate market. All investments in an external investment pool that are not SEC registered are subject to oversight by the Commonwealth. The City can withdraw funds from the investment pools without limitation or fees. The credit quality rating for PLGIT accounts is AAAM.

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of December 31, 2020, \$517,043 of the City's \$3,220,353 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$2,703,310 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$3,224,323 as of December 31, 2020.

NOTE 3 – RECEIVABLES

Receivables as of December 31, 2020 for the government's individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Sewer Fund	Parking Fund	Warren Redevelopment Assistance Loan Fund	Community Development Block Grant	Capital Improvement Program	Total
Taxes	\$ 398,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 398,703
Intergovernmental	81,487	75,797	-	500,000	6,643	132,327	796,254
Other	182,857	610,046	10,509	-	-	29,718	833,130
Gross Receivables	663,047	685,843	10,509	500,000	6,643	162,045	2,028,087
Less: Allowance for Uncollectable	(49,148)	(152,715)	-	-	-	-	(201,863)
Net Receivables	<u>\$ 613,899</u>	<u>\$ 533,128</u>	<u>\$ 10,509</u>	<u>\$ 500,000</u>	<u>\$ 6,643</u>	<u>\$ 162,045</u>	<u>\$ 1,826,224</u>

Reconciliation to Government-wide Statement of Net Position

Receivable	\$ 833,130
Allowance for uncollectible accounts	<u>(201,863)</u>
Receivable, net	<u>\$ 631,267</u>

The receivable in the Warren Redevelopment Assistance Loan Fund is related to West of Liberty Apartments and is not expected to be received within a one-year period.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2020
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 609,956	\$ -	\$ -	\$ 609,956
Construction in progress	243,933	20,926	(87,451)	177,408
Redevelopment properties	203,845	-	-	203,845
Total Capital Assets not Depreciated	<u>\$ 1,057,734</u>	<u>\$ 20,926</u>	<u>\$ (87,451)</u>	<u>\$ 991,209</u>
Capital Assets Depreciated:				
Infrastructure	\$ 26,768,330	\$ 267,301	\$ -	\$ 27,035,631
Buildings	5,577,370	83,137	(1,873)	5,658,634
Improvements other than buildings	3,068,044	479,498	(34,659)	3,512,883
Machinery and equipment, computers and software	2,481,825	15,585	(88,673)	2,408,737
Vehicles	2,313,096	1,116,612	(16,970)	3,412,738
Furnitures and fixtures	128,012	-	-	128,012
Total Assets Depreciated	<u>40,336,677</u>	<u>1,962,133</u>	<u>(142,175)</u>	<u>42,156,635</u>
Less Accumulated Depreciation:				
Infrastructure	(4,271,494)	(429,477)	-	(4,700,971)
Buildings	(3,103,596)	(117,481)	3,182	(3,217,895)
Improvements other than buildings	(1,702,099)	(101,293)	34,387	(1,769,005)
Machinery and equipment, computers and software	(1,134,450)	(158,907)	67,708	(1,225,649)
Vehicles	(1,628,524)	(174,060)	15,273	(1,787,311)
Furnitures and fixtures	(486,493)	(2,360)	-	(488,853)
Total Accumulated Depreciation	<u>(12,326,656)</u>	<u>(983,578)</u>	<u>120,550</u>	<u>(13,189,684)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 28,010,021</u>	<u>\$ 978,555</u>	<u>\$ (21,625)</u>	<u>\$ 28,966,951</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance January 1, 2020	Additions/ Adjustments	Deletions/ Adjustments	Balance December 31, 2020
Business-Type Activities				
Capital Assets not Depreciated:				
Land	\$ 46,795	\$ 7,737	\$ -	\$ 54,532
Total Capital Assets not Depreciated	<u>\$ 46,795</u>	<u>\$ 7,737</u>	<u>\$ -</u>	<u>\$ 54,532</u>
Capital Assets Depreciated:				
Buildings and improvements	\$ 5,770	\$ -	\$ -	\$ 5,770
Sewer treatment plant	26,155,219	-	-	26,155,219
Sewer machinery and equipment	606,324	13,653	-	619,977
Sewer collection system	3,075,041	-	-	3,075,041
Vehicles	542,198	30,082	-	572,280
Furniture and fixtures	342	-	-	342
Parking garage	9,570,275	-	-	9,570,275
Parking lots and parking equipment	1,123,356	-	-	1,123,356
Total Assets Depreciated	<u>41,078,525</u>	<u>43,735</u>	<u>-</u>	<u>41,122,260</u>
Less Accumulated Depreciation:				
Buildings and improvements	(934)	(288)	-	(1,222)
Sewer treatment plant	(1,581,075)	(527,025)	-	(2,108,100)
Sewer machinery and equipment	(176,499)	(52,883)	-	(229,382)
Sewer collection system	(1,033,604)	(52,064)	-	(1,085,668)
Vehicles	(384,935)	(25,992)	-	(410,927)
Furniture and fixtures	(302)	(23)	-	(325)
Parking garage	(2,695,455)	(192,565)	-	(2,888,020)
Parking lots and parking equipment	(294,884)	(67,285)	-	(362,169)
Total Accumulated Depreciation	<u>(6,167,688)</u>	<u>(918,125)</u>	<u>-</u>	<u>(7,085,813)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 34,910,837</u>	<u>\$ (874,390)</u>	<u>\$ -</u>	<u>\$ 34,036,447</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 501,625
Public safety	226,223
Public works	167,208
Culture and recreation	78,686
Community development	4,918
Building code enforcement	<u>4,918</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 983,578</u></u>

Business-Type Activities:

Depreciation	
Sewer fund	\$ 658,275
Parking fund	<u>259,850</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 918,125</u></u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2020 is as follows:

Due To	Due From	Amount
General	Sewer	\$ 220,982
General	Parking	208,720
General	Tax Agency	39,980
General	Capital Improvement Program	114,381
General	CDBG	<u>5,015</u>
		<u><u>\$ 589,078</u></u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
(CONTINUED)**

Reconciliation of interfund balances between governmental activities and business-type activities were as follows:

Total interfund balances above	\$ 589,078
Less: interfund balances between governmental funds	<u>(159,376)</u>
Total interfund balances between governmental activities and business-type activities	<u><u>\$ 429,702</u></u>

Interfund balances represent amounts owed to general fund for short-term payments made out of the general fund for operating expenses.

Transfers for the year ended December 31, 2020 were as follows:

Transfer From	Transfer To	Amount
General Fund	Glade Run Escrow Fund	\$ 7,500
General Fund	Capital Improvement Program Fund	727,473
General Fund	Debt Service Fund	243,340
Parking Fund	General Fund	137,746
Sewer Fund	General Fund	256,410
Highway Aid Fund	General Fund	421,810
Glade Run Escrow Fund	General Fund	<u>3,350</u>
		<u><u>\$ 1,797,629</u></u>

Reconciliation of transfers between governmental activities and business-type activities were as follows:

Governmental activities	\$ 1,403,473
Business-Type activities	<u>394,156</u>
Total	<u><u>\$ 1,797,629</u></u>

Transfers are made to account for capital items purchased through the capital improvement fund and to fund operating expenses out of the general fund.

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Debt

Streetscape Project – A note in the amount of \$1,500,000 was obtained to provide financing for the City's Streetscape project and associated costs. The note is payable to a bank in quarterly installments of \$35,097, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Parking Garage – The City obtained a note in the amount of \$1,100,000 for repair work on the Clark Street parking garage and other capital projects. The note is payable to a bank in quarterly installments of \$25,738, including interest at 4.75%. The note matures July 2025. The note is secured by the full faith, credit, and taxing power of the City.

Sewer Treatment Plant Upgrade – A note in the amount of \$21,491,723 was obtained to pay for costs of the sewer treatment plant upgrade. The note is payable to Pennvest in monthly installments of \$69,126, including interest at 1%, maturing in 2044. The note is secured by full faith, credit, and taxing power of the City. Payments begin at the earlier of three months after the estimated date of completion, the first day of the calendar month following completion of the project, or three years from the date of settlement. Interest expense for the year was \$186,998. The outstanding amount of the note as of December 31, 2020 is \$18,405,993.

As of year ended December 31, 2020, there have been no significant events of default with finance-related consequences nor any termination events or subjective acceleration clauses.

Debt Service Requirements

Year Ending	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 248,214	\$ 72,851	\$ 646,451	\$ 181,102	\$ 894,665	\$ 253,953
2022	259,315	61,751	652,945	174,608	912,260	236,359
2023	271,924	49,142	659,504	168,049	931,428	217,191
2024	282,066	39,000	666,130	161,423	948,196	200,423
2025	234,949	25,299	672,822	154,731	907,771	180,030
2026-2030	310,317	78,313	3,466,864	670,902	3,777,181	749,215
2031-2035	360,469	28,160	3,644,539	493,227	4,005,008	521,387
2036-2040	-	-	3,831,317	306,448	3,831,317	306,448
2041-2045	-	-	4,027,669	110,096	4,027,669	110,096
2046-2050	-	-	137,752	172	137,752	172
	<u>\$1,967,254</u>	<u>\$ 354,516</u>	<u>\$ 18,405,993</u>	<u>\$2,420,758</u>	<u>\$20,373,247</u>	<u>\$2,775,274</u>

Interfund Note

The City of Warren General Fund signed a promissory note with the City of Warren Sewer Fund to borrow money for the purchase of a firetruck. Principal and interest payments shall commence on January 1, 2021. The Note bears an interest rate of 3.0% per annum and principal and interest payments of \$6,477 per month for 15 years ending December 31, 2035.

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Capital Leases

The City entered into lease agreements to finance the acquisition of office equipment. The leases are recorded at the present value of the future minimum lease payments as of the date of their purchase. The assets acquired under capital leases are recorded at \$20,377, accumulated depreciation of \$9,621, and are included with capital assets in the statement of net position.

Following is a schedule of the future minimum lease payments required under these capital leases, and the present value of the net minimum lease payments at December 31, 2020. Capital lease amortization is included in depreciation expense.

<u>Asset Class</u>	<u>Governmental Activities</u>
Machinery and equipment	\$ 20,377
Less accumulated depreciation	<u>(9,621)</u>
Total	<u><u>\$ 10,756</u></u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2020 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2021	\$ 4,634
2022	4,634
2023	<u>2,893</u>
Total minimum lease payments	12,161
Less amount representing interest	<u>(763)</u>
Present value of minimum lease payments	<u><u>\$ 11,398</u></u>

NOTE 6 – LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended December 31, 2020 was as follows:

	January 1, 2020	Additions	Reductions	December 31, 2020	Due Within One Year
Governmental Activities:					
Notes payable	\$ 1,218,134	\$ 979,928	\$ (230,808)	\$ 1,967,254	\$ 248,214
Capital leases	15,354	-	(3,956)	11,398	4,160
Compensated absences	423,042	782,531	(767,556)	438,017	166,446
Other postemployment benefits	69,026	2,447	(7,605)	63,868	-
	<u>\$ 1,725,556</u>	<u>\$ 1,764,906</u>	<u>\$(1,009,925)</u>	<u>\$ 2,480,537</u>	<u>\$ 418,820</u>
Business-Type activities:					
Sewer fund upgrade note	\$ 19,046,014	\$ -	\$ (640,021)	\$ 18,405,993	\$ 646,451
Capital leases	-	-	-	-	-
Compensated absences	12,529	7,712	(4,865)	15,376	5,843
	<u>\$ 19,058,543</u>	<u>\$ 7,712</u>	<u>\$ (644,886)</u>	<u>\$ 18,421,369</u>	<u>\$ 652,294</u>

The liability for compensated absences is normally liquidated by the general or sewer funds.

NOTE 7 – RETIREMENT PLANS

The City administers three single-employer defined benefit pension plans: Municipal employees, Police and Firefighters. The Plans were established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Pennsylvania legislature. A separate report is not issued for each Plan. Each Plan is accounted for as a separate pension trust fund on the accrual basis and is governed by City Council. Assets are held separately and may be used only for the payment of benefits to members of the respective Plans.

Municipal Employees

The City of Warren Municipal Employee Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 845, effective August 15, 1966. The Plan was amended and restated by Ordinance No. 1880, effective October 17, 2016. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-203C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Benefit Provisions

Eligibility Requirements

Normal Retirement:	<p>For those hired on or before January 1, 2018: Age 62 and 10 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Age 60 and 20 years of service.</p>
Early Retirement:	<p>For those hired on or before January 1, 2018: Age 57 and 12 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>
Vesting:	<p>For those hired on or before January 1, 2018: 50% after 5 years of service, increasing by 10% for each additional year, up to a maximum of 100% after the completion of 10 years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: 100% after 20 years of service.</p>
Retirement Benefit:	<p>For those hired on or before January 1, 2018: A monthly benefit equal to 1.2% of Final Average Monthly Salary (base pay averaged over the final 60 months of employment), plus 1.0% of Final Average Monthly Salary in excess of \$550 multiplied by years of service.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: A monthly benefit equal to 50% of Average Compensation (base pay averaged over the highest 5-year period, or rate of monthly pay at retirement, whichever is higher). Such benefit shall be offset by 40% of a Participant's full Social Security old-age insurance benefit.</p>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Death Benefit

Before 10 Years of service:	Refund of contributions if any, plus interest.
After 10 Years of service but before retirement:	For those hired on or before January 1, 2018: The participant's spouse will receive 50% of the participant's Accrued Benefit, payable for life or until remarriage.
Before Retirement:	For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: Refund of contributions.
After Retirement:	<p>For those hired on or before January 1, 2018: The Normal Form of Benefit is a life annuity. At retirement, the participant may select an optional form of benefit payment that is an actuarial equivalent of the Normal Form.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None except that total benefits paid to the participant are less than the refund of contributions, the excess balance is payable.</p>
Late Retirement:	<p>For those hired on or before January 1, 2018: The Benefit is the greater of the Normal Retirement Benefit actuarially increased to Late Retirement date, or the accrued benefit at actual Late Retirement date.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: the accrued benefit at actual Late Retirement date.</p>
Early Retirement	
Amount of Benefit:	<p>For those hired on or before January 1, 2018: Normal Retirement benefit based on Years of Continuous Service at date of actual retirement payable at Normal Retirement.</p> <p>For those Union employees hired after January 1, 2018 or for Non-Union Employees hired after January 1, 2019: None.</p>
Reduction for Early Commencement:	For those hired on or before January 1, 2018: Benefit may be elected immediately, but will be reduced by 6.7% for each year by which commencement of benefits precedes Normal Retirement Date.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Deposits

At December 31, 2020, the Plan held \$31,935 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,262,152	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$5,021,276	\$ -	\$ -
Fixed Income Mutual Funds	-	2,262,152	-
	<u>\$5,021,276</u>	<u>\$ 2,262,152</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2020.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2020, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5% limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>N/A</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Debt Securities-Fixed Income Funds	\$ 2,262,152	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,616</u>	<u>\$ 1,810,536</u>	<u>\$ -</u>
Equity Mutual Funds	<u>5,021,276</u>					
Total	<u>\$ 7,283,428</u>					

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees hired on or before January 1, 2018 are required to contribute 2.0% of covered payroll to the Plan. Employees hired after January 1, 2018 are required to contribute 3.5% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The components of the net pension liability at December 31, 2020 are as follows:

Total pension liability	\$ 6,596,710
Plan fiduciary net position	<u>(7,312,690)</u>
Net pension asset	<u>\$ (715,980)</u>

Plan fiduciary net position as a percentage of the total pension liability: 110.9%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation: 2.75%

Salary increases: 4.75% including inflation

Mortality: RP-2014 Mortality Table with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's trustee report.

Expected Long-Term
Rate of Return: 7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Asset Class	Long-Term Expected Real ROR
Equities	5.0 % – 7.0 %
Fixed Income	1.0 % – 3.0 %
Cash and Equivalents	0.0 % – 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ (8,435)	\$ (715,980)	\$ (1,314,973)

Payable to the Pension Plan

At December 31, 2020, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time municipal employees of the City. As of December 31, 2020, pension Plan membership consists of:

Active employees	27
Retirees and beneficiaries currently receiving benefits	32
Terminated employees entitled to benefits but not yet receiving them	4
Total	63

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/19	<u>\$ 6,352,664</u>	<u>\$ 6,425,877</u>	<u>\$ (73,213)</u>
Changes for the Year:			
Service cost	170,404	-	170,404
Interest	459,191	-	459,191
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	213,434	(213,434)
Contributions - employee	-	29,975	(29,975)
Net investment income	-	1,049,999	(1,049,999)
Benefit payments and refunds of employee contributions	(385,549)	(385,549)	-
Administrative expense	-	(21,046)	21,046
Net changes	<u>244,046</u>	<u>886,813</u>	<u>(642,767)</u>
Balances at 12/31/2020	<u><u>\$ 6,596,710</u></u>	<u><u>\$ 7,312,690</u></u>	<u><u>\$ (715,980)</u></u>

Police Pension

The City of Warren Police Pension Plan is a single-employer defined benefit pension Plan. The Plan was established by Ordinance No. 376, effective May 7, 1945. The Plan was amended and restated by Ordinance No. 1669, effective January 1, 2002. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Vanguard. The Plan is required to file Form PC-201C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

Benefit Provisions

Eligibility Requirements:

Normal Retirement: Completion of 20 years of service.

Vesting: 100% after 12 years of service.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Retirement Benefit	A monthly benefit equal to 50% of Final Average Monthly Compensation (compensation averaged over the final 36 months of employment), plus Extra Service benefit of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum increase of \$500. Service completed after age 65 is not counted.
Death Benefit	
Before Retirement Eligibility:	Refund of contributions plus interest.
After Retirement Eligibility:	The surviving spouse will receive 100% of the amount the participant was receiving or entitled to receive payable for life or until remarriage. In the event of the spouse's death or remarriage, the participant's children under age 18 will share the benefit, or until age 21 if a full-time student.
Disability Benefit	
Service Related:	For total and permanent disablement, a monthly benefit equal to 50% of compensation averaged over the final 36 months prior to disablement will be payable commencing the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.
Non-Service Related:	None.
DROP Benefit:	None.
Cost-of Living Adjustment:	Normal retirees will receive a 2.0% per year increase in their benefit. Total increases may not exceed 70% of the contractual pay rate of a fourth-year officer/First Class Patrolman at the time of retirement. Disabled retirees will receive annual increases based on the Consumer Price Index up to a maximum of 30% of the original benefit.
Vesting Benefit:	A benefit at Normal Retirement date equal to 50% of Final Average Monthly Compensation in the 36 months preceding termination multiplied by the ratio of actual service to 20 years. Benefit is paid in lieu of the return of member contributions.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Deposits

At December 31, 2020, the Plan held \$51,953 in deposits. All deposits were fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no investment policy for credit risk. The credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$2,976,691	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Equity Mutual Funds	\$ 6,789,616	\$ -	\$ -
Fixed Income Mutual Funds	-	2,976,691	-
	<u>\$ 6,789,616</u>	<u>\$ 2,976,691</u>	<u>\$ -</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2020.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2020, the Plan had no investments (other than U.S. Government and U. S. Government guaranteed obligations, mutual funds or other pooled investments) in any one issuer that represent 5% or more of Fiduciary Net Position.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The Plan has no investment policy for interest rate risk other than the 42.5% limit on fixed income securities. The maturities of the Plan's debt investments are listed on the table below.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>					<u>N/A</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>	
Fixed Income Mutual Funds	\$2,976,691	<u>\$ -</u>	<u>\$ 594,371</u>	<u>\$2,382,320</u>	<u>\$ -</u>	<u>\$ -</u>
Equity Mutual Funds	<u>6,789,616</u>					
Total	<u>\$9,766,307</u>					

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining. Contributions are currently reduced to 2.0% of covered payroll.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

Net Pension Liability

The components of the net pension liability (asset) at December 31, 2020 are as follows:

Total pension liability*	\$ 8,362,539
Plan fiduciary net position	<u>(9,816,583)</u>
Net pension (liability) asset	<u>\$ (1,454,044)</u>

Plan fiduciary net position as a percentage of the total pension liability: 117.4%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions:

Inflation:	2.75%
Salary increases:	4.75% including inflation, plus additional 2.667% in the year preceding retirement to reflect unused sick days used in the calculation of Final Average Monthly Compensation.
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on Long-Range Demographic Assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	7.25 % applied to all periods

The long-term expected rate of return on pension Plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability(asset):

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ (527,369)	\$ (1,454,044)	\$ (2,225,895)

Payable to the Pension Plan

At December 31, 2020, the City did not owe anything to the Plan.

Plan Membership

The Plan provides pensions for full-time policemen of the City. As of December 31, 2020, pension Plan membership consists of:

Active employees	14
Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to benefits but not yet receiving them	0
Total	38

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/19	\$ 8,146,516	\$ 8,768,129	\$ (621,613)
Changes for the Year:			
Service cost	198,956	-	198,956
Interest	584,825	-	584,825
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	205,345	(205,345)
Contributions - employee	-	21,541	(21,541)
Net investment income	-	1,413,188	(1,413,188)
Benefit payments and refunds of employee contributions	(567,758)	(567,758)	-
Administrative expense	-	(23,862)	23,862
Net changes	216,023	1,048,454	(832,431)
Balances at 12/31/2020	\$ 8,362,539	\$ 9,816,583	\$ (1,454,044)

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Firefighter Pension

The City of Warren Firefighters Pension Plan is a single-employer defined benefit pension Plan. The Plan was established September 1, 1974 (adopted pursuant to Act 600 of 1956). The Plan was amended and restated by Ordinance No. 1668, effective January 1, 2010. The Plan is governed by the City Council of the City of Warren which may amend Plan provisions, and which is responsible for the management of Plan assets. The City Council has delegated the authority to manage certain Plan assets to Brighthouse Life Insurance Company and Vanguard. The Plan is required to file Form PC-202C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPRP). The most recent filing was as of January 1, 2019.

Benefit Provisions

Pension Plan benefit provisions are as follows:

Eligibility Requirements

Normal Retirement: Age 50 and 20 years of service.

Early Retirement: None.

Vesting: 100% after 12 years of service.

Retirement Benefit: A monthly benefit equal to 50% of Final Average Monthly Compensation, base pay plus longevity averaged over the highest 5 years or the final monthly rate of pay, whichever is higher, plus a service increment of 1/40 of the Normal Retirement Benefit for each completed Year of Service in excess of 20 years, up to a maximum of \$250. For new hires after January 1, 2020, the maximum service increment is \$100. Service completed after age 65 is not counted.

Death Benefit

Before Retirement Eligibility: A monthly benefit equal to 50% of Vested Accrued Benefit at date of death is payable to the participant's spouse immediately until death.

After Retirement Eligibility
or in-Service death:

A monthly benefit equal to 100% of the benefit the participant was receiving or was entitled to receive payable to the survivor for life. For those participants who die while in active service, the benefit is deferred until the participant's normal retirement date.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Disability Benefit

Service Related: Upon total and permanent disablement as determined by a qualified physician, participant will receive a monthly benefit equal to 50% of compensation averaged over the final 60 months prior to disablement. Benefit commences the first day of the month following disablement and continuing for duration of Disability prior to Normal Retirement date and life thereafter.

Non-Service Related: Hired on or after 1/1/2010, there is a 10-year service requirement. Monthly benefit is 30%.

DROP Benefit None.

Other Benefits

Vesting Benefit Prospective Normal Retirement Benefit is multiplied by the ratio of service to date divided by projected service to Normal Retirement payable at Normal Retirement Date.

Member Contributions

Amount or Rate: 5.0% of wages + \$2.50 per month for service increment (For those hired after January 1, 2020, \$1 per month for service increment).

Interest Rate Credited to Member Contributions: 0.0%

Deposits

At December 31, 2020, the Plan held \$8,559 in deposits. Deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC).

Investments

The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The Plan's target asset allocation is as follows:

<u>Asset Class</u>	<u>Target Percentage</u>
Equities	55-65%
Fixed Income	32.5-42.5%
Cash Equivalents	0-5.0%

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Credit Risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan has no formal policy for credit risk. At December 31, 2020, the credit ratings of the Plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$1,580,411	Not Rated
Annuity Contract	\$251,553	Not Rated

The above investments are categorized in the fair value hierarchy in the following manner:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>
Money Market Funds	\$ 3,775,449	\$ -	\$ -
Fixed Income Mutual Funds	-	1,580,411	-
Annuity Contract	-	-	251,553
	<u>\$ 3,775,449</u>	<u>\$ 1,580,411</u>	<u>\$ 251,553</u>

The valuation technique used in determining the above fair value are recently executed transactions, market price quotations and pricing models that factor in where applicable interest rates, bond, or CD spread volatility. There were no significant changes in the valuation techniques used as of December 31, 2020.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan places no limit on the amount that may be invested in any one issuer. At December 31, 2020, all Plan assets were held by Brighthouse Life Insurance Company or Vanguard.

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The maturities of the Plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5.99</u>	<u>6 - 10</u>	<u>More than 10</u>
Mutual Funds	\$ 1,580,411	<u>\$ -</u>	<u>\$ 315,514</u>	<u>\$ 1,264,897</u>	<u>\$ -</u>
Annuity Contracts	251,553				
Money Market Funds	<u>3,775,449</u>				
	<u>\$ 5,607,413</u>				

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Contributions

The employer follows the funding policy prescribed by Act 205 of 1984 (as amended), which requires that annual contributions be based upon the Minimum Municipal Obligation (MMO) using the Plan's most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer.

Employees are required to contribute 5.0% of covered payroll + \$2.50 per month (\$1.00 per month if hired after January 1, 2020) for service increment to the Plan. This contribution is governed by the Plan's governing ordinances and collective bargaining.

Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plan and funded through the MMO and/or Plan earnings.

The components of the net pension liability at December 31, 2020 are as follows:

Total pension liability*	\$ 5,269,510
Plan fiduciary net position	<u>(5,614,378)</u>
Net pension liability	<u>\$ (344,868)</u>

Plan fiduciary net position as a percentage of the total pension liability: 106.5%

*The total pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to the reporting date using the following significant actuarial assumptions applied to all periods included in the measurement:

Actuarial Assumptions

Inflation:	2.75%
Salary increases:	4.5% including inflation
Mortality:	RP-2014 Mortality Table with 50% Blue Collar adjustment, with rates set forward 5 years for disabled members. Mortality improvement based on long-range demographic assumptions for 2015 SSA's Trustee report.
Expected Long-Term Rate of Return:	6.75 % applied to all periods

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Expected Long-Term Rate of Return (Continued):

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of December 31, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real ROR</u>
Equities	5.0 % - 7.0 %
Fixed Income	1.0 % - 3.0 %
Cash and Equivalents	0.0 % - 1.0 %

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the Plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension Plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following shows the effect of a 1% change in the discount rate on the net pension liability:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Net Pension Liability (asset)	<u>\$ 368,259</u>	<u>\$ (344,868)</u>	<u>\$ (924,818)</u>

Payable to the Pension Plan

At December 31, 2020, the City did not owe anything to the Plan.

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Plan Membership

The Plan provides pensions for full-time firefighters of the City. As of December 31, 2020, pension Plan membership consists of:

Active employees	20
Retirees and beneficiaries currently receiving benefits	2
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
Total	<u><u>23</u></u>

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/19	<u>\$ 4,825,391</u>	<u>\$ 4,600,661</u>	<u>\$ 224,730</u>
Changes for the Year:			
Service cost	170,095	-	170,095
Interest	335,165	-	335,165
Changes of benefit terms	-	-	-
Differences between expected and actual experiences	-	-	-
Changes of assumptions	-	-	-
Contributions - employer	-	289,890	(289,890)
Contributions - employee	-	57,442	(57,442)
Net investment income	-	747,807	(747,807)
Benefit payments and refunds of employee contributions	(61,141)	(61,141)	-
Administrative expense	-	(20,281)	20,281
Net changes	<u>444,119</u>	<u>1,013,717</u>	<u>(569,598)</u>
Balances at 12/31/2020	<u><u>\$ 5,269,510</u></u>	<u><u>\$ 5,614,378</u></u>	<u><u>\$ (344,868)</u></u>

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the City recognized pension expense of \$(198,583). At December 31, 2020, the Plan reported deferred outflows of resources and deferred inflows of resources related to the municipal employee's, firefighter's and police officer's pension from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ (707,089)
Changes of assumptions	67,632
Net difference between projected and actual earnings on pension plan investments	<u>(2,259,612)</u>
Total	<u><u>\$ (2,899,069)</u></u>

Amounts reported as deferred outflows of resources (+) and deferred inflows (-) of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:

2021	(736,599)
2022	(509,407)
2023	(961,922)
2024	(476,836)
2025	(92,782)
Thereafter	<u>(121,523)</u>
Total	<u><u>\$ (2,899,069)</u></u>

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Provisions

The City offers a single-employer Plan that provides health care, disability, and life insurance benefits to eligible retired City employees and their spouses. These benefits were established under collective bargaining agreements or by resolution of Council. The Plan does not issue a stand-alone financial report.

The Summary of Substantive Plan Provisions below is included to clarify the basis of our actuarial valuation and is not meant to govern the operation of the Plan. The summary represents our understanding of the benefits provided by the Plan, based upon documentation provided by the employer and our understanding of the way in which the employer operates the Plan.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Firefighters Union

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (There are no remaining retirees eligible for coverage.)
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Police Officers Union

Benefits Provided:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (There are no remaining retirees eligible for coverage.)
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Municipal Employees

Non-Union

Benefits Covered:	Any employee retiring after January 1, 2015 shall not be entitled to continue to be part of any City employee health, dental or vision insurance plan. (One current retiree receives City-paid life insurance benefits.)
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Department of Public Works Union (IBEW)

Benefits Covered:	Eligible retirees hired before January 1, 1993 and their dependents may continue on the City's group health insurance until the retiree reaches age 65 by paying the full premium charged. (There are no remaining retirees eligible for coverage. There are 2 eligible retirees who did not elect to remain on the City's health insurance.)
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NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Plan Membership

As of December 31, 2020, plan membership consisted of:

Active employees	-
Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving them	-
	<u>1</u>

Changes in Net OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2019	<u>\$ 69,026</u>
Changes for the year:	
Service cost	-
Interest	2,447
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments and refunds	-
of employee contributions	(7,605)
Administrative expense	-
Other changes	-
Net changes	<u>(5,158)</u>
Balances at December 31, 2020	<u><u>\$ 63,868</u></u>

The City experienced total OPEB expense of \$2,447 as of December 31, 2020.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current rate.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Fiscal Year Ending	12/31/2020
Current Discount Rate	\$ 63,868
1% Decrease	\$ 67,976
1% Increase	\$ 60,179

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% higher or lower than the current rates.

Fiscal Year Ending	12/31/2020
Current Discount Rate	\$ 63,868
1% Decrease	\$ 63,868
1% Increase	\$ 63,868

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the actuary, employer, and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Actuarial Cost Method	Entry Age Normal Actuarial Cost Method
Actuarial Present Value of Projected Benefits	Level dollar
Interest Rate	3.75% per year
Mortality	RP-2014 Mortality Table
Mortality Improvement	Rates derived from the Long-range Demographic Assumptions for the 2015 Social Security Administrations Trustee Report
Participation	0% of current Public Works retirees are assumed to opt-in to coverage prior to the end of their coverage eligibility period

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Projections of benefits are based upon the types of benefits provided under the substantive Plan at the time of each valuation and on the pattern of sharing the benefit costs between the employer and Plan members to that point.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in both state and federal grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs.

Litigation

The City may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

NOTE 10 – SELF INSURANCE – HEALTH INSURANCE

The City entered into an agreement with Municipal Benefit Services (funded by the Municipal Employees Insurance Trust) to provide health and welfare benefits to the City's employees and retirees.

The City's self-insurance program pays health and dental insurance coverage for City employees. Retired employees are also covered by the program provided they pay a monthly premium to the City. Under the Trust Agreement, the City is obligated to make employer contributions as determined by the Trust or on a monthly basis.

At December 31, 2020, there is no material liability of unpaid claims to be reported by the City.

NOTE 11 – SUBSEQUENT EVENTS

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen that are likely to negatively impact gross revenues and income. Voluntary, and then subsequently mandatory, shelter-in-place orders necessitated temporary business closings as the uncertainty continues. Though the extent of disruption is expected to be temporary, the extent of the financial impact and other possible impacting matters are unknown at this time.

The City has evaluated subsequent events through July 7, 2021, the date which the financial statements were available to be issued.

**Required Supplementary
Information**

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,561,100	\$ 6,561,100	\$ 6,373,355	\$ (187,745)
Intergovernmental	753,092	753,092	771,168	18,076
Charges for services	487,800	487,800	513,745	25,945
Interest, rents and royalties	10,000	10,000	10,253	253
Licenses and permits	462,140	462,140	444,761	(17,379)
Fines and forfeits	63,000	63,000	53,464	(9,536)
Other	41,250	41,250	102,014	60,764
Total Revenues	<u>8,378,382</u>	<u>8,378,382</u>	<u>8,268,760</u>	<u>(109,622)</u>
EXPENDITURES				
Current:				
General government	1,322,291	1,322,291	1,004,425	317,866
Public safety	6,680,469	6,680,469	5,270,893	1,409,576
Public works	2,023,249	2,023,249	1,421,675	601,574
Culture and recreation	674,417	674,417	473,892	200,525
Community development	243,214	243,214	103,743	139,471
Building code enforcement	440,687	440,687	248,243	192,444
Total Expenditures	<u>11,384,327</u>	<u>11,384,327</u>	<u>8,522,871</u>	<u>2,861,456</u>
Excess of revenues over expenditures	<u>(3,005,945)</u>	<u>(3,005,945)</u>	<u>(254,111)</u>	<u>2,751,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	463,406	463,406	819,317	355,911
Transfers out	(652,500)	(652,500)	(978,313)	(325,813)
Loan proceeds	2,000,000	2,000,000	979,928	(1,020,072)
Gain on sale of asset	-	-	7,636	7,636
Total Other Financing Sources (Uses)	<u>1,810,906</u>	<u>1,810,906</u>	<u>828,568</u>	<u>(982,338)</u>
Net Change in Fund Balance	(1,195,039)	(1,195,039)	574,457	1,769,496
Fund Balances, Beginning of Year	<u>3,415,778</u>	<u>3,415,778</u>	<u>3,415,778</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 2,220,739</u>	<u>\$ 2,220,739</u>	<u>\$ 3,990,235</u>	<u>\$ 1,769,496</u>

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31,

Municipal Employees Pension Plan

Total Pension Liability at Plan Year End

	2020	2019	2018	2017	2016	2015	2014
Actuarial Accrued Liability at January 1	\$ 6,352,664	\$ 6,335,217	\$ 6,106,471	\$ 5,416,298	\$ 5,210,339	\$ 5,091,945	\$ 4,607,336
Service cost	170,404	162,677	151,378	166,289	137,298	135,432	273,616
Differences between expected and actual experience	-	(212,170)	-	70,534	-	(113,700)	-
Benefit payments	(385,549)	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)	(500,348)
Changes of assumptions	-	-	-	356,408	-	-	-
Interest	459,191	442,345	440,752	424,041	389,267	373,338	711,341
Total Pension Liability (TPL)	<u>\$ 6,596,710</u>	<u>\$ 6,352,664</u>	<u>\$ 6,335,217</u>	<u>\$ 6,106,471</u>	<u>\$ 5,416,298</u>	<u>\$ 5,210,339</u>	<u>\$ 5,091,945</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 6,425,877	\$ 5,461,886	\$ 5,893,933	\$ 5,320,229	\$ 5,139,874	\$ 5,280,405	\$ 4,992,594
Benefit payments	(385,549)	(375,405)	(363,384)	(327,099)	(320,606)	(276,676)	(262,000)
Contributions - employer	213,434	193,712	193,392	135,508	136,779	193,634	198,243
Contributions - member	29,975	26,515	24,575	24,878	22,187	21,480	21,042
Net investment income	1,049,999	1,135,471	(259,726)	760,021	369,746	(48,092)	356,594
Administrative expenses	(21,046)	(16,302)	(26,904)	(19,604)	(27,751)	(30,877)	(26,068)
Total Plan Fiduciary Net Position	<u>\$ 7,312,690</u>	<u>\$ 6,425,877</u>	<u>\$ 5,461,886</u>	<u>\$ 5,893,933</u>	<u>\$ 5,320,229</u>	<u>\$ 5,139,874</u>	<u>\$ 5,280,405</u>
City Net Pension Liability (Asset)	<u>\$ (715,980)</u>	<u>\$ (73,213)</u>	<u>\$ 873,331</u>	<u>\$ 212,538</u>	<u>\$ 96,069</u>	<u>\$ 70,465</u>	<u>\$ (188,460)</u>

Plan fiduciary net position as a percentage of the total pension liability	110.9%	101.2%	86.2%	96.5%	98.2%	98.6%	103.70%
Covered-employee payroll	\$ 1,475,101	\$ 1,478,079	\$ 1,279,181	\$ 1,255,134	\$ 1,264,036	\$ 1,114,818	\$ 1,160,268
City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-48.5%	-5.0%	68.3%	16.9%	7.6%	6.3%	N/A

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31,

Police Pension Plan

Total Pension Liability at Plan Year End

	2020	2019	2018	2017	2016	2015	2014
Actuarial Accrued Liability at January 1	\$ 8,146,516	\$ 8,063,251	\$ 7,873,272	\$ 7,269,402	\$ 7,113,618	\$ 7,193,968	\$ 6,772,003
Service cost	198,956	189,934	179,535	171,394	159,679	152,075	354,316
Changes of benefit terms	-	-	-	-	-	(18,267)	-
Differences between expected and actual experience	-	(115,414)	-	(59,672)	-	(267,700)	-
Benefit payments	(567,758)	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)	(954,655)
Changes of assumptions	-	-	-	471,417	-	-	-
Interest	584,825	569,999	564,110	550,443	525,986	512,602	1,022,304
Total Pension Liability (TPL)	<u>\$ 8,362,539</u>	<u>\$ 8,146,516</u>	<u>\$ 8,063,251</u>	<u>\$ 7,873,272</u>	<u>\$ 7,269,402</u>	<u>\$ 7,113,618</u>	<u>\$ 7,193,968</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 8,768,129	\$ 7,568,938	\$ 8,300,110	\$ 7,611,053	\$ 7,478,342	\$ 7,835,276	\$ 7,551,807
Benefit payments	(567,758)	(561,254)	(553,666)	(529,712)	(529,881)	(459,060)	(479,551)
Contributions - employer	205,345	192,439	183,505	145,471	133,197	188,168	221,701
Contributions - member	21,541	19,988	19,727	17,913	18,538	17,049	16,650
Net investment income	1,413,188	1,566,206	(360,541)	1,086,322	544,151	(66,660)	556,254
Administrative expenses	(23,862)	(18,188)	(20,197)	(30,937)	(33,294)	(36,431)	(31,571)
Total Plan Fiduciary Net Position	<u>\$ 9,816,583</u>	<u>\$ 8,768,129</u>	<u>\$ 7,568,938</u>	<u>\$ 8,300,110</u>	<u>\$ 7,611,053</u>	<u>\$ 7,478,342</u>	<u>\$ 7,835,290</u>
City Net Pension Liability (Asset)	<u>\$ (1,454,044)</u>	<u>\$ (621,613)</u>	<u>\$ 494,313</u>	<u>\$ (426,838)</u>	<u>\$ (341,651)</u>	<u>\$ (364,724)</u>	<u>\$ (641,322)</u>

Plan fiduciary net position as a percentage of the total pension liability	117.4%	107.6%	93.9%	105.4%	104.7%	105.1%	108.90%
Covered-employee payroll	\$ 977,503	\$ 1,024,603	\$ 881,638	\$ 931,319	\$ 784,113	\$ 937,229	\$ 782,344
City's Net Pension Liability/(Asset) as a percentage of covered-employee payroll	-148.8%	-60.7%	56.1%	-45.8%	-43.6%	-38.9%	N/A

CITY OF WARREN, PENNSYLVANIA
Schedule of Changes in the City's Net Pension Liability and Related Ratios
December 31

Firefighters Pension Plan

Total Pension Liability at Plan Year End

	2020	2019	2018	2017	2016	2015	2014
Actuarial Accrued Liability at January 1	\$ 4,825,391	\$ 4,684,512	\$ 3,560,261	\$ 3,411,066	\$ 3,069,427	\$ 2,678,393	\$ 2,115,985
Service cost	170,095	220,114	193,215	154,335	154,629	147,970	273,950
Benefit payments	(61,141)	(21,402)	(1,352)	-	(21,854)	-	(21,359)
Change of benefit terms	-	-	636,134	-	-	388,152	-
Differences between expected and actual experience	-	(363,639)	-	(142,810)	-	(332,424)	-
Changes of assumptions	-	-	-	(87,452)	-	-	-
Interest	335,165	305,806	296,254	225,122	208,864	187,336	309,817
Total Pension Liability (TPL)	<u>\$ 5,269,510</u>	<u>\$ 4,825,391</u>	<u>\$ 4,684,512</u>	<u>\$ 3,560,261</u>	<u>\$ 3,411,066</u>	<u>\$ 3,069,427</u>	<u>\$ 2,678,393</u>

Plan Fiduciary Net Position

Balance at January 1	\$ 4,600,661	\$ 3,533,786	\$ 3,347,628	\$ 2,642,410	\$ 2,153,292	\$ 1,848,930	\$ 1,467,383
Benefit payments	(61,141)	(21,402)	(1,352)	-	(21,854)	-	-
Contributions - employer	289,890	287,120	318,798	298,185	293,375	255,310	255,007
Contributions - member	57,442	55,027	48,304	46,872	42,398	40,464	38,551
Net investment income	747,807	758,568	(159,269)	374,329	189,906	25,278	116,200
Administrative expenses	(20,281)	(12,438)	(20,323)	(14,168)	(14,707)	(16,690)	(15,769)
Total Plan Fiduciary Net Position	<u>\$ 5,614,378</u>	<u>\$ 4,600,661</u>	<u>\$ 3,533,786</u>	<u>\$ 3,347,628</u>	<u>\$ 2,642,410</u>	<u>\$ 2,153,292</u>	<u>\$ 1,861,372</u>
City Net Pension Liability (NPL)	<u>\$ (344,868)</u>	<u>\$ 224,730</u>	<u>\$ 1,150,726</u>	<u>\$ 212,633</u>	<u>\$ 768,656</u>	<u>\$ 916,135</u>	<u>\$ 817,021</u>

Plan fiduciary net position as a percentage of the total pension liability	106.5%	95.3%	75.4%	94.0%	77.5%	70.2%	70%
Covered-employee payroll	\$ 1,231,796	\$ 1,240,987	\$ 1,161,591	\$ 1,039,727	\$ 940,445	\$ 873,664	\$ 807,829
City's Net Pension Liability as a percentage of covered-employee payroll	-28.0%	18.1%	99.1%	20.5%	81.7%	104.9%	102%

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2011	\$ 227,145	\$ 242,259	\$ (15,114)	\$ -	N/A
2012	238,199	238,199	-	1,120,583	21.3%
2013	211,217	211,217	-	-	N/A
2014	198,243	198,243	-	1,160,268	17.1%
2015	193,634	193,634	-	1,114,818	17.4%
2016	136,779	136,779	-	1,264,036	10.8%
2017	135,508	135,508	-	1,255,134	10.8%
2018	193,392	193,392	-	1,279,181	15.1%
2019	193,712	193,712	-	1,478,079	13.1%
2020	213,434	213,434	-	1,475,101	14.5%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Municipal Employees Pension Plan

Notes to the Supplementary Schedules

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years (aggregate)
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% including inflation
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with rates set forward 5 years for disabled members. Rates projected to improve based on Long-Range Demographic Assumptions for 2015 SSA's Trustee Report.
Retirement age	Later of Normal Retirement age or attained age if currently eligible to retire.

Changes to Benefits:

Effective 1-1-2018, the pension plan was amended to grant Third Class City Code minimum required benefits for full-time, non-uniformed, non-union employees hired after January 1, 2018 and for full-time, non-uniformed, non-union employees hired after January 1, 2019.

Changes to Assumptions:

Effective 1-1-2009, AVA smoothing (4-year) and RP-2000 Combined Healthy Mortality Table

Effective 1-1-2011, pre-retirement death benefits are valued directly

Effective 1-1-2013, mortality assumption updated to recognize mortality improvements are expected to continue to occur

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy mortality and 7.5% Scale AA to RP-2014 mortality and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advanced Pension tables to rates based on the Social Security Administration's 2010 projections of disability incidence.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2011	\$ 174,963	\$ 188,423	\$ (13,460)	\$	N/A
2012	174,099	174,099	-	864,627	20.1%
2013	181,370	181,370	-	-	N/A
2014	221,701	221,701	-	782,344	28.3%
2015	188,168	188,168	-	937,229	20.1%
2016	133,197	133,197	-	784,113	17.0%
2017	145,471	145,471	-	931,319	15.6%
2018	183,505	183,505	-	881,638	20.8%
2019	192,439	192,439	-	1,024,003	18.8%
2020	205,345	205,345	-	977,503	21.0%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan

Notes to the Supplementary Schedules

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	17 years
Asset valuation method	4-year smoothing
Inflation	2.75%
Salary increase	4.75% plus an additional 2.667% in the year preceding retirement to reflect the inclusion of pay for unused sick days in the calculation of Final Average Monthly Compensation including inflation.
Investment rate of return	7.25% net of investment expenses not funded through the MMO, and including inflation.
Mortality	RP-2014 Mortality Table with 50% Blue Collar Adjustments and projected to improve with rates derived from the Long-Range Demographic Assumptions for the 2015 SSA's Trustee Report.
Retirement age	Participants who will be over age 55+ at 20 or more years of service are assumed to retire. For all others 40% are assumed to retire upon reaching 20 years of service, 20% are assumed to retire after reaching 21 or more years of service before age 55.

Changes to Benefits:

Effective 1-1-2007, the extra service benefit was changed to 1/40 of normal retirement benefit for each year completed over 20 up to a maximum monthly benefit of \$500. Also, the percentage of accumulated sick days used in the calculation of final average monthly compensation increased to 40%.

Effective 1-1-2009, normal retirement eligibility was changed to 20 years of service with no age requirement.

Effective 1-1-2015, Plan amended to eliminate killed-in-service benefit.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Police Pension Plan
(Continued)

Changes to Assumptions:

Effective 1-1-2009, asset smoothing (4-year), pre-retirement death benefits now directly valued, mortality table changed to RP-2000 Combined Healthy Mortality Table projected forward to 2005 with scale AA, and retirement assumption of 20% once 20 years of service with 100% assumed to age 55.

Effective 1-1-2013, mortality improvement and blue-collar adjustment now included.

Effective 1-1-2017, inflation lowered from 3.0% to 2.75%; interest rate lowered from 7.5% to 7.25%; salary increase rate lowered from 5.0% to 4.75%; mortality assumption updated from RP-2000 Combined Healthy Mortality with Blue Collar adjustment and 75% Scale AA to RP-2014 mortality with 50% Blue Collar adjustment and mortality improvement based on the Social Security Administration's 2015 Demographic Assumptions; disability assumption updated from 60% of the rates from Advance Pension Tables to rates based on the Social Security Administration's 2010 projections of disability incidence; retirement assumption was modified, increasing rates of retirement under age 55.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions As a Percentage of Covered- employee Payroll
2011	\$ 99,007	\$ 107,671	\$ (8,664)	\$ -	N/A
2012	101,786	101,786	-	805,823	12.6%
2013	300,800	300,800	-	-	N/A
2014	255,007	255,007	-	807,829	31.6%
2015	255,310	255,310	-	873,664	29.2%
2016	293,375	293,375	-	940,445	31.2%
2017	298,185	298,185	-	1,039,727	28.7%
2018	318,798	318,798	-	1,161,591	27.4%
2019	287,120	287,120	-	1,240,987	23.1%
2020	289,890	289,890	-	1,231,796	23.5%

See Notes to the Supplementary Schedules for an explanation of changes to benefits and actuarial assumptions.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan

Notes to the Supplementary Schedules

Unless otherwise specified, the following actuarial methods and assumptions were used in the calculation of the most recent actuarially determined contribution reported in the supplementary schedules:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	4 years aggregate
Asset valuation method	Market Value
Inflation	2.75%
Salary increase	4.5% including inflation
Investment rate of return	6.75% net of investment expenses not funded through the MMO, and including inflation
Mortality	RP-2014 Mortality Table with 50% of the Blue-Collar Adjustment, rates set forward 5 years for disabled lives. Mortality improvement rates derived from Long-Range Assumptions for the 2015 Social Security Administration's Trustee Report.
Retirement Age:	Normal retirement age, or attained age, if currently eligible to retire

Changes to Benefits:

Effective in 2010, compensation base for benefits was changed to the greater of monthly rate of pay at retirement, normal retirement benefit is 50% of final average salary, employee contributions increased to 5.0% and a differentiation was made between service and non-service related disabilities.

Effective 1-1-2015, a 100% survivor benefit was added, a pre-retirement death benefit was added with 50% of the vested accrued payable immediately or 100% of the accrued payable at normal retirement, a service increment equal to 1/40 of benefit for service over 20 years up to a maximum of \$250 a month and employee contributions increased \$2.50 per month per employee.

Effective 1-1-2018, as of January 1, 2020, the retirement eligibility has been reduced from age 55 with 20 years of service to age 50 with 20 years of service. Additionally, for new hires after January 1, 2020, the maximum service increment has been reduced from \$250 a month to \$100 a month.

Changes to Assumptions:

Effective 1-1-2007, interest rate lowered to 5.5%.

Effective 1-1-2009, mortality table updated to RP-2000 Combined Healthy Mortality.

CITY OF WARREN, PENNSYLVANIA
Schedule of Contributions
Firefighters Pension Plan
(Continued)

Effective 1-1-2011, interest rate lowered to 5.25% and direct value of the pre-retirement death benefits.

Effective 1-1-2013, interest rate increased to 6.50%, no turnover assumed and a mortality projection and blue-collar adjustment were included.

Effective 1-1-2017, interest rate was increased to 6.75%. The rate of inflation was lowered to 2.75% the mortality table was updated to RP-2014 Mortality Table with 50% Blue Collar Adjustment. Mortality Improvement rates derived from the Long-Range Demographic Assumptions for the 2015 Social Security Administration's Trustee Report. Disability assumption changed to rates based on the Social Security Administration's 2010 projection of disability incidence.

CITY OF WARREN, PENNSYLVANIA
Schedule of Investment Ratios

Annual money weighted return, net of investment expense not funded through MMO.

Municipal Employees

2014	7.29%
2015	-0.93%
2016	7.36%
2017	14.63%
2018	-4.45%
2019	21.35%
2020	16.64%

Police

2014	7.57%
2015	-0.87%
2016	7.46%
2017	14.70%
2018	-4.44%
2019	21.33%
2020	16.46%

Firefighters

2014	7.73%
2015	1.34%
2016	8.67%
2017	13.97%
2018	-4.70%
2019	21.21%
2020	16.12%

CITY OF WARREN, PENNSYLVANIA
Pension Trusts
Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Excess as a % of Covered Payroll ((b-a)/c)
Employee Pension Fund						
1/1/2019	\$ 5,779,012	\$ 6,123,047	\$ 344,035	94.4%	\$ 1,279,181	26.9%
1/1/2017	5,545,250	5,843,240	297,990	94.9%	1,264,036	23.60%
1/1/2015	4,989,306	4,978,245	(11,061)	100.2%	1,160,268	NA
1/1/2013	4,148,734	4,607,336	458,602	90.0%	1,120,583	40.9%
1/1/2011	3,510,531	4,151,305	640,774	84.6%	1,239,358	51.7%
1/1/2009	2,997,482	3,618,059	620,577	82.8%	1,136,096	54.6%
Police Pension Fund						
1/1/2019	\$ 8,001,853	\$ 7,947,837	\$ (54,016)	100.7%	\$ 881,638	NA
1/1/2017	7,928,591	7,681,147	(247,444)	103.2%	784,113	NA
1/1/2015	7,358,838	6,908,001	(450,837)	106.5%	782,344	NA
1/1/2013	6,494,538	6,772,003	277,465	95.9%	864,627	32.1%
1/1/2011	6,152,280	6,346,882	194,602	96.9%	813,673	23.9%
1/1/2009	6,031,216	6,062,150	30,934	99.5%	697,393	4.4%
Firefighters Pension Fund						
1/1/2019	\$ 3,533,786	\$ 4,320,873	\$ 787,087	81.8%	\$ 1,161,591	67.8%
1/1/2017	2,642,410	3,180,804	538,394	83.1%	940,445	57.20%
1/1/2015	1,848,930	2,734,121	885,191	67.6%	807,829	109.6%
1/1/2013	1,062,663	2,115,985	1,053,322	50.2%	805,823	130.7%
1/1/2011	729,441	2,027,225	1,297,784	36.0%	741,390	175.0%
1/1/2009	812,665	1,200,322	387,657	67.7%	702,840	55.2%

CITY OF WARREN, PENNSYLVANIA
POSTEMPLOYMENT BENEFITS
OTHER THAN PENSION TRUSTS
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age Normal	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/2019	\$ -	\$ 69,026	\$ 69,026	0%	\$ -	0.00%
01/01/2017	-	148,369	148,369	0%	54,434	2.72%
01/01/2014	-	439,604	439,604	0%	2,391,807	19.0%
01/01/2011	-	531,979	531,979	0%	2,311,759	23.0%

CITY OF WARREN, PENNSYLVANIA
Other Post-Employment Benefits
Required Supplementary Information
Schedule of Changes in Total OPEB Liability
December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	2,447	2,638	1,730	5,789
Changes of benefit terms	-	(99,793)	-	-
Differences between expected and actual experience	-	28,872	-	(24,870)
Changes of assumptions	-	-	-	-
Other changes	-	-	-	(13,643)
Benefit payments, including refunds of employee contributions	<u>(7,605)</u>	<u>(7,851)</u>	<u>(4,939)</u>	<u>1,847</u>
Net change in total OPEB liability	(5,158)	(76,134)	(3,209)	(30,877)
Total OPEB liability – beginning	<u>69,026</u>	<u>145,160</u>	<u>148,369</u>	<u>179,246</u>
Total OPEB liability – ending	<u><u>\$ 63,868</u></u>	<u><u>\$ 69,026</u></u>	<u><u>\$ 145,160</u></u>	<u><u>\$ 148,369</u></u>
Covered employee payroll	\$ -	\$ -	\$ 54,434	\$ 54,434
Total OPEB liability as a percentage of covered employee payroll	N/A	N/A	266%	272%

Notes to the Supplementary Schedules

There were no significant changes to the assumptions used in calculating the above total from the prior year report. No assets are accumulated in a trust for payment of benefits to employees.

Other Supplementary Information

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Parking Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 404,660	\$ 404,660	\$ 391,452	\$ (13,208)
Other	54,000	54,000	54,000	-
Total Operating Revenues	458,660	458,660	445,452	(13,208)
Operating Expenses				
Salaries and wages	83,827	83,827	71,192	12,635
Employee benefits	21,848	21,848	23,167	(1,319)
Supplies	34,250	34,250	15,863	18,387
Utilities	25,400	25,400	19,663	5,737
Other	222,750	222,750	125,971	96,779
Depreciation	-	-	259,850	(259,850)
Total Operating Expenses	388,075	388,075	515,706	(127,631)
Operating Income (Loss)	70,585	70,585	(70,254)	(140,839)
Non-Operating Revenue (Expense)				
Investment earnings	-	-	321	321
Transfers out	(137,748)	(137,748)	(137,746)	2
Total Non-Operating Revenue (Expense)	(137,748)	(137,748)	(137,425)	323
Change in Net Position	(67,163)	(67,163)	(207,679)	(140,516)
Net Position, Beginning of Year	7,602,344	7,602,344	7,602,344	-
Net Position, End of Year	<u>\$ 7,535,181</u>	<u>\$ 7,535,181</u>	<u>\$ 7,394,665</u>	<u>\$ (140,516)</u>

CITY OF WARREN, PENNSYLVANIA
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Sewer Fund

For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating Revenues				
Charges for service	\$ 2,570,562	\$ 2,570,562	\$ 2,570,602	\$ 40
Total Operating Revenues	2,570,562	2,570,562	2,570,602	40
Operating Expenses				
Salaries and wages	379,038	379,038	416,942	(37,904)
Employee benefits	155,073	155,073	156,789	(1,716)
Supplies	161,350	161,350	185,562	(24,212)
Sludge removal	157,500	157,500	226,842	(69,342)
Utilities	178,250	178,250	150,681	27,569
Other	1,368,761	1,368,761	281,656	1,087,105
Depreciation / amortization	-	-	658,275	(658,275)
Total Operating Expenses	2,399,972	2,399,972	2,076,747	323,225
Operating Income (Loss)	170,590	170,590	493,855	323,265
Non-Operating Revenue (Expense)				
Investment earnings	50,000	50,000	32,772	(17,228)
Interest expense	(187,532)	(187,532)	(186,998)	534
Transfers out	(256,410)	(256,410)	(256,410)	-
Total Non-Operating Revenue (Expense)	(393,942)	(393,942)	(410,636)	(16,694)
Change in Net Position	(223,352)	(223,352)	83,219	306,571
Net Position, Beginning of Year	14,474,400	14,474,400	14,474,400	-
Net Position, End of Year	\$ 14,251,048	\$ 14,251,048	\$ 14,557,619	\$ 306,571

CITY OF WARREN, PENNSYLVANIA

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2020

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 96,178	\$ 211,181	\$ 19,960	\$ 2	\$ -	\$ 327,321
Accounts receivable	29,718	-	-	-	-	29,718
Intergovernmental receivable, net	132,327	-	-	6,643	-	138,970
Total Assets	<u>\$ 258,223</u>	<u>\$ 211,181</u>	<u>\$ 19,960</u>	<u>\$ 6,645</u>	<u>\$ -</u>	<u>\$ 496,009</u>
LIABILITIES						
Accounts payable	\$ 47,177	\$ -	\$ -	\$ 1,628	\$ -	\$ 48,805
Interfund payable	114,381	-	-	5,015	-	119,396
Deferred revenue	96,665	-	-	2	-	96,667
Total Liabilities	<u>258,223</u>	<u>-</u>	<u>-</u>	<u>6,645</u>	<u>-</u>	<u>264,868</u>
FUND BALANCE						
Restricted:						
Liquid fuels	-	211,181	-	-	-	211,181
Committed						
Glade floodway	-	-	19,960	-	-	19,960
Total Fund Balance	<u>-</u>	<u>211,181</u>	<u>19,960</u>	<u>-</u>	<u>-</u>	<u>231,141</u>
Total Liabilities and Fund Balance	<u>\$ 258,223</u>	<u>\$ 211,181</u>	<u>\$ 19,960</u>	<u>\$ 6,645</u>	<u>\$ -</u>	<u>\$ 496,009</u>

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2020

	Capital Improvement Program Fund	Highway Aid	Glade Run Escrow	Community Development Block Grant	Debt Service	Total Nonmajor Governmental Funds
REVENUES						
Intergovernmental	\$ 265,000	\$ 309,916	\$ -	\$ 326,444	\$ -	\$ 901,360
Interest, rents and royalties	-	2,587	11	-	-	2,598
Other	172,278	-	-	-	-	172,278
Total Revenues	437,278	312,503	11	326,444	-	1,076,236
EXPENDITURES						
Community development	1,164,751	-	-	326,444	-	1,491,195
Debt service	-	-	-	-	243,340	243,340
Total Expenditures	1,164,751	-	-	326,444	243,340	1,734,535
Excess of revenues over expenditures	(727,473)	312,503	11	-	(243,340)	(658,299)
OTHER FINANCING SOURCES (USES)						
Transfers in	727,473	-	7,500	-	243,340	978,313
Transfers out	-	(421,811)	(3,350)	-	-	(425,161)
Total Other Financing Sources (Uses)	727,473	(421,811)	4,150	-	243,340	553,152
Net Change in Fund Balance	-	(109,308)	4,161	-	-	(105,147)
Fund Balance, Beginning of Year	-	320,489	15,799	-	-	336,288
Fund Balance, End of Year	\$ -	\$ 211,181	\$ 19,960	\$ -	\$ -	\$ 231,141

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Fiduciary Net Position
Pension Trusts
December 31, 2020

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
ASSETS				
Cash and cash equivalents	\$ 8,559	\$ 51,953	\$ 31,935	\$ 92,447
Investments	<u>5,607,413</u>	<u>9,766,307</u>	<u>7,283,428</u>	<u>22,657,148</u>
Total Assets	<u>\$ 5,615,972</u>	<u>\$ 9,818,260</u>	<u>\$ 7,315,363</u>	<u>\$ 22,749,595</u>
LIABILITIES				
Accounts payable	<u>\$ 721</u>	<u>\$ 2,696</u>	<u>\$ 546</u>	<u>\$ 3,963</u>
Total Liabilities	<u>721</u>	<u>2,696</u>	<u>546</u>	<u>3,963</u>
NET POSITION				
Net position held in trust for pension	<u>5,615,251</u>	<u>9,815,564</u>	<u>7,314,817</u>	<u>22,745,632</u>
Total Net Position	<u>5,615,251</u>	<u>9,815,564</u>	<u>7,314,817</u>	<u>22,745,632</u>
Total Liabilities and Net Position	<u>\$ 5,615,972</u>	<u>\$ 9,818,260</u>	<u>\$ 7,315,363</u>	<u>\$ 22,749,595</u>

CITY OF WARREN, PENNSYLVANIA
Combining Schedule of Changes in Fiduciary Net Position
Pension Trusts
For the Year Ended December 31, 2020

	Firefighter Pension	Police Pension	Non-Uniform Employee Pension	Total
Additions:				
Contributions				
Employer	\$ 289,890	\$ 205,345	\$ 213,433	\$ 708,668
Plan members	57,442	21,541	29,975	108,958
Total	347,332	226,886	243,408	817,626
Investment income (loss), net	747,738	1,413,249	1,050,002	3,210,989
Total Additions	1,095,070	1,640,135	1,293,410	4,028,615
Deductions:				
Benefits	59,547	566,081	382,878	1,008,506
Management expense	20,948	26,558	21,592	69,098
Total Deductions	80,495	592,639	404,470	1,077,604
Change in Net Position	1,014,575	1,047,496	888,940	2,951,011
Net Position, Beginning of Year	4,600,676	8,768,068	6,425,877	19,794,621
Net Position, End of Year	\$ 5,615,251	\$ 9,815,564	\$ 7,314,817	\$ 22,745,632



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Warren, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Warren, Pennsylvania as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Warren, Pennsylvania's basic financial statements, and have issued our report thereon dated July 7, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Warren, Pennsylvania's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Warren, Pennsylvania's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warren, Pennsylvania's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Felix and Gloekler, P.C.

July 7, 2021
Erie, Pennsylvania